


## The Effect of Corporate Social Responsibility and Cash Holding on Firm Value in Manufacturing Companies in the Industrial Sector Listed on the Indonesia Stock Exchange in 2020–2024

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Article Info	ABSTRACT
<p><b>Keywords:</b> Company Value, Corporate Social Responsibility, Cash Holding</p>	<p>This study aims to examine the effect of Corporate Social Responsibility and Cash Holding on the value of companies listed on the Indonesia Stock Exchange. Utilizing secondary time series data spanning from 2020 to 2024, the research investigates how each variable, both individually and collectively, influences firm value. The findings indicate that Corporate Social Responsibility has a positive and significant impact on company value, supported by a probability value below the standard significance level. Similarly, Cash Holding shows a positive and significant effect on firm value, suggesting that companies with higher liquidity are perceived more favorably by investors. Moreover, the joint analysis of both variables demonstrates a significant combined influence on firm value, reinforcing the notion that corporate responsibility and effective cash management play crucial roles in enhancing market perception and investor confidence.</p>
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### INTRODUCTION

Economic and business development continues to compel companies to maximize their profits to ensure long-term sustainability. In such a competitive environment, companies are expected to adopt effective strategies and policies to remain relevant in a rapidly evolving global market. Higher profits are generally accompanied by greater tax obligations, prompting some firms to engage in practices such as transfer pricing to minimize tax burdens (Setyorini & Nurhayati, 2022).

Firm value is a critical aspect in the business world, reflecting a company's worth in the eyes of investors and other stakeholders. In today's era of globalization and intense market competition, a comprehensive understanding of firm value is essential for management to make informed strategic decisions. Firm value is influenced not only by financial performance but also by external factors such as market conditions, regulatory environments, and technological innovation.

In 2023, many large corporations faced global economic challenges exacerbated by geopolitical tensions, inflation, and evolving tax regulations. In response, companies are increasingly focused on effective tax planning strategies to maintain financial stability. According to Sujoko & Soebiantoro (2007), further developed by Hanifah and Ayem (2022), firm value can be observed through investor responses, particularly reflected in stock prices. The higher the firm value, the more attractive the company becomes to investors, thereby enhancing its overall market capitalization.

Corporate Social Responsibility (CSR) represents a company's commitment to social and environmental responsibilities (Carrol & Buchholtz, 2003). Both taxes and CSR share a similar social function, each contributing to societal welfare (Merkusiwati & Damayanthi, 2019). However, this similarity may be interpreted differently by companies; some may consider CSR a substitute for taxes and thus reduce their tax payments, while others may see it as a corporate burden. Hoi et al. (2013) noted that firms with irresponsible CSR practices are more aggressive in tax avoidance, while Armstrong et al. (2015) emphasized that such tax avoidance is socially irresponsible and lacks legitimacy.

According to Mardiasari (2012), Indonesia's business environment is rapidly expanding, as evidenced by the increasing number of new enterprises. This intensifies competition and significantly influences the domestic business climate. To remain competitive and increase firm value, businesses must consistently maintain their advantages. Firm value is an essential metric for investors as it reflects the market's assessment of a company's overall performance (Nurlela & Islahuddin, 2008). CSR, when aligned with a company's vision and implemented consistently, can serve as an effective marketing tool, enhancing corporate image and consumer loyalty (Wijaya, 2012), ultimately boosting sales and profitability.

Cash holding refers to the amount of liquid cash a company retains for operational needs. Cash holding decisions are influenced by financial flexibility and liquidity constraints, especially given the illiquid nature of assets such as machinery, land, and buildings. According to Gill and Shah (2012), cash holding is defined as cash available for investment in physical assets or distribution to shareholders. Gore (2009) further defines it as the ratio of cash and cash equivalents to monthly operating and interest expenditures.

Cash holdings can also be directed toward socially responsible investments or used as a buffer against unforeseen risks (Tsendsuren et al., 2021). Chang et al. (2019) identified a positive relationship between CSR and cash holdings, while Liem et al. (2021) argued that CSR and board structure can help reduce excess cash reserves, mitigating agency conflicts. From an agency theory perspective, effective CSR practices may function as a mechanism to control potentially inefficient cash retention.

Conversely, excessive cash holdings may result in opportunity costs, as unutilized cash could otherwise generate returns if invested (Sutrisno, 2017). On the other hand, insufficient cash reserves may impair a firm's ability to meet short-term obligations, damaging its liquidity position and investor confidence.

Manufacturing companies listed on the Indonesia Stock Exchange represent a diverse array of autonomous industrial and commercial units, making them an ideal subject for

research aiming to capture a comprehensive view of market capitalization. Given their prominence and the frequency of cases involving financial and tax-related strategies within this sector, this study focuses on "The Effect of Corporate Social Responsibility and Cash Holding on Firm Value in Manufacturing Companies in the Industrial Sector Listed on the Indonesia Stock Exchange for the Period 2020–2024."

## METHODS

This study employs a quantitative descriptive research design aimed at identifying the values of each variable independently, without comparing or directly correlating them. The research utilizes secondary data in the form of time-series data collected over the observation period from 2020 to 2024. The data were obtained indirectly through documentation, specifically by downloading financial statements from the official website of the Indonesia Stock Exchange ([www.idx.co.id](http://www.idx.co.id)) and the Indonesia Capital Market Directory (ICMD).

The population of this study includes all manufacturing companies listed on the Indonesia Stock Exchange, totaling 55 firms. From this population, 40 companies were selected as the research sample using purposive sampling, a non-random sampling technique based on specific criteria. These criteria include: the company must have been listed on the IDX during the 2020–2024 period, possess complete financial data, and report positive earnings throughout the observed period.

Data collection techniques involved literature review and documentation. The literature review was conducted to examine relevant theories, previous studies, and conceptual frameworks, while documentation was used to gather data from the annual financial reports of the selected manufacturing companies. The study employed multiple linear regression analysis to assess the effect of two independent variables on one dependent variable.

The independent variables in this study are Corporate Social Responsibility (CSR) and Cash Holding. CSR represents a company's responsibility to its stakeholders, including tax obligations, and was measured using a disclosure index based on the Global Reporting Initiative (GRI) version 4.0, consisting of 91 items. Meanwhile, Cash Holding refers to the amount of cash and cash equivalents held by a company, measured as the ratio of cash and cash equivalents to total assets.

The dependent variable is firm value, which reflects the market's perception of a company's performance and is measured using the Tobin's Q ratio. Tobin's Q is calculated by comparing the market value of equity and the book value of debt to the total assets of the company. The multiple linear regression analysis was performed using EViews 12 software to determine the direction and strength of the relationship between CSR, Cash Holding, and firm value. This model is expected to provide deeper insights into how corporate social policies and internal liquidity management influence market perceptions of the performance of manufacturing companies listed on the IDX.

## RESULTS AND DISCUSSION

### Panel Data Regression Model Testing

This study employs a panel data regression model to test the interpretation of the model and the consistency of theoretical assumptions. The data were processed electronically using Microsoft Excel 2016 and EViews 10. The panel data regression model was used to assess the specification of the model and its alignment with empirical realities and theoretical expectations.

#### Chow Test

The Chow test is conducted to determine whether the appropriate estimation model is the pooled least squares (common effect) or fixed effect model. This diagnostic test is performed in the early stage of panel data testing to identify the correct panel selection method. If the probability value is greater than 0.05, then the null hypothesis (H0) is accepted, indicating that the common effect model is appropriate. Conversely, if the probability value is less than 0.05, H0 is rejected and the alternative hypothesis (H1) is accepted, meaning the fixed effect model should be used.

**Table 1.** Chow Test

Redundant Fixed Effects Tests  
 Equation: Untitled  
 Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.661600	(34,138)	0.0000
Cross-section Chi-square	112.520820	34	0.0000

The results of the Chow test for tax processing and cash management in the table above indicate that the cross-sectional probability value is 0.000, which is less than 0.05. Therefore, the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted. This suggests that the most appropriate estimation method is the fixed effect model.

#### Hausman Test

The Hausman test is used to determine whether the optimal model is a fixed effect model or a random effect model. In this study, the Hausman test was performed during panel data analysis by selecting the random effects option in the panel section. If the probability value is greater than 0.05, H0 is accepted, indicating that the random effect model is appropriate. However, if the probability value is less than 0.05, H0 is rejected and H1 is accepted, meaning that the fixed effect model is more suitable.

**Table 2.** Hausman Test

Correlated Random Effects - Hausman Test  
 Equation: Untitled  
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.449009	2	0.0007

Based on the table above, the results of the tax planning and earnings management test can be seen in the firm's value. The average probability value is 0.0007, which is less than 0.05, indicating that the alternative hypothesis (H1) is accepted. Therefore, the most appropriate method is the fixed effect model.

### Heteroscedasticity Test

The heteroscedasticity test is used to determine whether there is unequal variance (heterogeneity) in the classical assumption of constant variance across all observations in the regression model. A fundamental assumption in regression analysis is the absence of heteroscedasticity.

**Table 3.** White Heteroscedasticity Test

Heteroskedasticity Test: Glejser			
F-statistic	1.645571	Prob. F(2,196)	0.1956
Obs*R-squared	3.286333	Prob. Chi-Square(2)	0.1934
Scaled explained SS	3.324794	Prob. Chi-Square(2)	0.1897

Based on the table above, if the p-value of Obs\*Square is less than the Chi-square critical value, and the result shows  $0.1934 > 0.05$ , then the outcome of the heteroscedasticity test for tax planning and earnings management is that the null hypothesis (H<sub>0</sub>) is accepted, and the alternative hypothesis (H<sub>1</sub>) is rejected. This means that heteroscedasticity is not present in the model.

### Multicollinearity Test

Multicollinearity refers to a strong linear relationship between two or more independent variables in the regression model. If the correlation coefficient between each pair of independent variables exceeds 0.8, the model is considered to suffer from multicollinearity. However, if the correlation coefficient between the independent variables is less than 0.8, then the regression model is considered free from multicollinearity.

**Table 4.** Multicollinearity Test

Variance Inflation Factors  
 Date: 06/03/25 Time: 20:10  
 Sample: 1 200  
 Included observations: 199

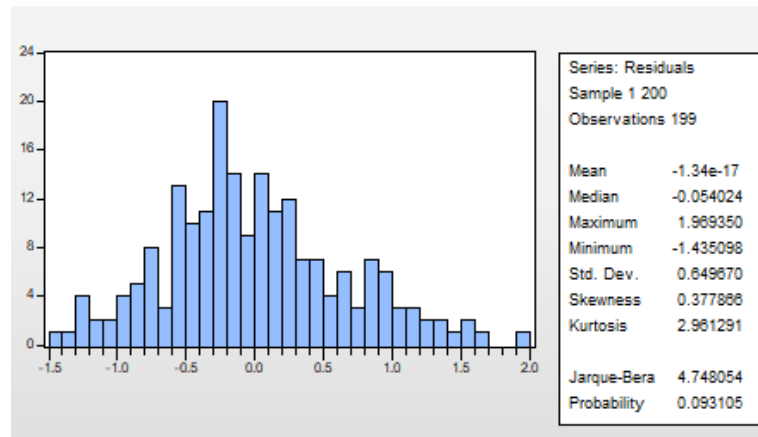
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
SER02	0.035811	1.622450	1.070156
SER03	0.006523	2.639109	1.070156
C	0.007709	3.597930	NA

The result of the multicollinearity test shows that the correlation coefficients between each pair of independent variables are less than 0.10, indicating that there is no multicollinearity present in the regression model.

### Normality Test

According to Ghozali (2006), normality is part of the demand orientation model and harmonization of demand modeling. There are two ways to determine whether the data

distribution follows statistical principles. The Kolmogorov-Smirnov test is selected to analyze the distribution level. This test is conducted before processing the data. The Kolmogorov-Smirnov test is used to examine whether the residuals are normally distributed. If the significance value is greater than 0.01, the residuals are generally considered to be normally distributed.



**Figure 1.** Normality Diagram

The table above shows that the significance value is approximately  $0.093 > 0.05$ , indicating that the data are normally distributed.

### Autocorrelation Test

The autocorrelation test is used to examine whether there is a correlation between the residuals from one observation and those from another in the regression model. Autocorrelation refers to the interaction between certain residuals and other information within an experimental study. The most commonly used method for this test is the Durbin-Watson (DW) test. This test helps determine whether the assumptions of classical regression are violated. If autocorrelation is present, it indicates a violation of these assumptions. The Durbin-Watson test statistic is applied to detect the presence of autocorrelation in the regression residuals.

**Table 5.** Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test			
F-statistic	22.75097	Prob. F(2,194)	0.2846
Obs*R-squared	37.80715	Prob. Chi-Square(2)	0.2857

The results of the autocorrelation test above, based on the Durbin-Watson statistic value of 0.2857, indicate that there is no autocorrelation present in this regression model.

### The Effect of Corporate Social Responsibility on Firm Value

The influence of Corporate Social Responsibility (CSR) on firm value can be observed from the data processing results using EViews, as presented in the table below.

**Table 6.** The Effect of Corporate Social Responsibility on Firm Value

Dependent Variable: Y				
Method: Least Squares				
Date: 06/03/25 Time: 20:19				
Sample: 1 200				
Included observations: 199				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.424593	0.056937	25.02055	0.0000
X1	0.128124	0.182746	1.701107	0.4841

The results of the data analysis in Table 6 show that the t-value of Corporate Social Responsibility (CSR) is 1.7011, which is greater than the critical t-table value of 1.652. This indicates that CSR has a significant influence on firm value. With a significance level of 5% and degrees of freedom (df) = 200 – 3 = 197, the resulting p-value is 0.00 < 0.05, confirming that the result is statistically significant. This suggests that the relationship is both positive and significant.

#### The Effect of Cash Holding on Firm Value

The influence of cash holding on firm value is shown in the following table based on the regression output.

**Table 7.** The Effect of Cash Holding on Firm Value

Dependent Variable: Y				
Method: Least Squares				
Date: 06/03/25 Time: 20:26				
Sample: 1 200				
Included observations: 200				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.503134	0.072440	20.75003	0.0000
X2	0.072764	0.077893	1.934157	0.3514

The panel data regression analysis results in Table 7 indicate that the t-statistic value is 1.934. Since the t-value is positive, and the critical t-table value at a 5% significance level with degrees of freedom (df = 200 – 3 = 197) is 1.652 (two-tailed test), the condition  $1.934 > 1.652$  holds true. Therefore, the null hypothesis ( $H_0$ ) is rejected, and the alternative hypothesis ( $H_1$ ) is accepted. This confirms that cash holding has a positive and significant effect on firm value. Moreover, the probability value is 0.00 < 0.05, which further supports the significance of the result.

#### The Effect of Corporate Social Responsibility and Cash Holding on Firm Value

The combined effect of Corporate Social Responsibility (CSR) and cash holding on firm value is presented in the regression results using EVIEWS 12 in the following table.

**Table 8.** The Effect of Corporate Social Responsibility and Cash Holding on Firm Value

R-squared	0.036544	Mean dependent var	1.447883
Adjusted R-squared	0.064604	S.D. dependent var	0.651479
S.E. of regression	0.652976	Akaike info criterion	2.000409
Sum squared resid	83.57011	Schwarz criterion	2.050057
Log likelihood	-196.0407	Hannan-Quinn criter.	2.020503
F-statistic	0.546337	Durbin-Watson stat	1.177890
Prob(F-statistic)	0.009947		

The F-test is used to determine whether independent variables collectively influence changes in the dependent variable or to assess the applicability of a regression model in explaining such variations. If the F-calculated value is greater than the F-table value, then the null hypothesis ( $H_0$ ) is rejected, indicating that the independent variables jointly affect the dependent variable. Conversely, if the F-calculated value is less than the F-table value,  $H_0$  is accepted, meaning that the independent variables do not significantly influence the dependent variable.

Based on the panel data regression analysis, the F-table value at a 5% significance level with degrees of freedom  $df_1 = k - 1 = 2$  and  $df_2 = n - k = 143$  is 3.550 (two-tailed test). The F-calculated value obtained from the model is 0.546, which is less than the F-table value ( $0.546 < 3.550$ ), leading to the acceptance of  $H_0$  and the rejection of  $H_1$ . Thus, it can be concluded that the variables Corporate Social Responsibility and Cash Holding, when tested simultaneously, do not have a significant effect on firm value. However, the probability value (p-value) from the table is 0.00, which is less than the significance level of 0.05, indicating that the model remains statistically significant, and there is a joint influence of Corporate Social Responsibility and Cash Holding on firm value.

## CONCLUSION

Based on the panel data regression analysis, this study concludes that both Corporate Social Responsibility (CSR) and Cash Holding have a positive and significant influence on firm value, both individually and jointly. The positive impact of CSR suggests that greater social and environmental responsibility enhances a firm's reputation among investors, thus increasing its market value. Similarly, sufficient Cash Holding improves liquidity, instills investor confidence, and positively affects firm valuation. The simultaneous effect of CSR and Cash Holding, confirmed by the F-test and significant p-values, highlights their strategic role in building sustainable firm value. For corporate managers, enhancing CSR practices and optimizing cash management are essential for reinforcing stakeholder trust and long-term competitiveness. Future research is encouraged to incorporate additional variables such as profitability, firm size, capital structure, or corporate governance, and to explore different industrial sectors for broader comparative insights.

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