Profitability, Leverage, and CSR: Determinants of Corporate Value in the Food and Beverage Industry on the Indonesia Stock Exchange

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Article Info

ABSTRACT

This research addresses the ongoing inconsistency in prior empirical findings regarding the role of profitability, leverage, and Corporate Social Responsibility (CSR) in shaping firm value, particularly within the manufacturing sector of emerging markets. Specifically, the study examines the effect of profitability and leverage on firm value, with CSR positioned as a moderating variable in food and beverage sub-sector companies listed on the Indonesia Stock Exchange during the 2021–2023 period. Adopting a quantitative approach, the research applies multiple linear regression and moderation analysis using secondary data derived from annual and sustainability reports of firms selected through purposive sampling. Firm value is measured using Tobin's Q, while profitability and leverage are proxied by Return on Assets (ROA) and Debt to Assets Ratio (DAR), respectively. The empirical results reveal that profitability (ROA) does not have a significant impact on firm value, whereas leverage (DAR) demonstrates a positive and significant effect. Moreover, CSR neither exerts a direct influence on firm value nor functions effectively as a moderating variable in the relationship between profitability, leverage, and firm value. The low Adjusted R-squared value of 3.44% indicates that firm value is influenced by a broader set of factors beyond the financial and non-financial variables incorporated in this model, highlighting a gap in existing explanatory frameworks. Theoretically, this study contributes to the literature by providing empirical evidence that challenges the assumed strategic role of CSR as a value-enhancing mechanism in the Indonesian manufacturing context.

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Introduction

In the midst of global challenges due to the pandemic and economic uncertainty, several industrial sectors managed to survive and even showed significant growth. One of them is the food and beverage sector, which recorded an outstanding performance in this uncertain situation. In 2022, this sector contributed to the Gross Domestic Product of the non-oil and gas processing sector grew by 4.90percent with a contribution of 38.69 percent, an increase in the third quarter of 3.57percent compared to the previous year. This increase is the result of strong cooperation between the government and food and beverage industry players([1].

The growth of the food and beverage industry in Indonesia is one of the main drivers of the manufacturing sector in supporting the national economy. Based on data from the Central Statistics Agency (BPS), the growth rate of the Gross Domestic Product (GDP) of the food and beverage industry continues to show a positive trend after the post-COVID-19 pandemic recovery period. In 2021, the annual growth of this subsector was recorded at 2.54%, increasing significantly to 4.9% in 2022, although it experienced as light decline to 4.47% in 2023 (BPS, 2024).

This phenomenon indicates that the food and beverage sub-sector remains one of the resilient sectors and contributes greatly to national economic stability, especially in the facing fluctuations in global conditions and changes in people's consumption behavior In 2021, the food and beverage industry in Indonesia managed to increase by 2.54 percent to reach a value of Rp 775.1 trillion from 2020which was hit by the Covid-19 pandemic with growth of only 1.66 percent in the fourth quarter of 2020 [2]. During the pandemic, the value of companies in the food and beverage sector experienced a significant decline. The

pandemic has caused a slowdown in the growth of the food and beverage sector which can reduce investor interest.

Table 1. Gross Domestic Product

Year	Quarter I	Quarter II	Quarter III	Quarter IV	Annual
2020	3,94	0,22	0,66	1,66	1,58
2021	2,45	2,95	3,49	1,23	2,54
2022	3,75	3,68	3,57	8,68	4,9
2023	5,33	4,62	3,28	4,71	4,47

Sumber : www.bps.go.id

Companies with high levels of profitability tend to attract greater attention from investors, as strong profit performance is commonly interpreted as a positive signal regarding a firm's future prospects. In the context of *Signaling Theory*, profitability serves as credible information conveyed by management to the market, reflecting the firm's operational efficiency and managerial capability, which in turn influences investor perceptions and firm valuation. Nevertheless, firms within this sub-sector do not consistently demonstrate optimal firm value from the perspective of investors, indicating that financial performance alone may not be sufficient to explain market valuation. Firm value represents a critical indicator of how the market assesses a company's future performance and sustainability [3]. According to [4], the value of the company can be increased by paying attention to both internal and external factors Internal factors such as profitability and leverage play a significant role in determining the high and low value of the company. Profitability describes the company's ability to generate profits from its assets, so it becomes a positive signal for investors in assessing management performance [5]. Meanwhile, leverage illustrates the firm's capital structure, particularly the extent to which debt is utilized to finance operational activities. Although high leverage may increase financial risk, it can also create opportunities for higher returns if managed effectively [6]. In addition to internal factors, external elements such as exchange rate movements, inflation, and market growth may also influence firm performance and value.

From an *Agency Theory* perspective, profitability reflects management's effectiveness in utilizing company assets to generate returns for shareholders. Higher

profitability may reduce agency conflicts by signaling that management acts in the best interests of owners [5]. However, empirical inconsistencies suggest that investors may not solely rely on profitability when evaluating firm value. While several studies report a positive relationship between profitability and firm value [7][8], [9], other findings indicate a negative effect [10], [11]. These contrasting results imply that agency problems may persist when profits are not accompanied by responsible managerial behavior, such as transparent governance and meaningful social responsibility practices, leading investors to reassess the credibility of profit signals.

Leverage, on the other hand, reflects the firm's financing decisions and capital structure. According to *Trade-Off Theory*, companies seek an optimal balance between the benefits of debt, such as tax shields, and the costs associated with financial distress. When managed efficiently, leverage can enhance firm value by improving operational capacity and disciplining managerial behavior through external monitoring by creditors [14] [15]. From an *Agency Theory* standpoint, debt can function as a control mechanism that limits managerial discretion, thereby reducing agency costs. However, excessive leverage may generate negative signals to investors, consistent with *Signaling Theory*, as rising debt levels can be interpreted as increased financial risk. This concern is supported by empirical evidence indicating a negative relationship between leverage and firm value [9], [16], as investors may anticipate lower profitability and reduced dividend distribution due to higher debt obligations.

In the context of contemporary business sustainability, corporate performance is no longer assessed solely on the basis of financial outcomes, but also on the extent of a company's commitment to social and environmental responsibility. Corporate Social Responsibility (CSR) has become a crucial dimension reflecting a firm's concern for social and ecological issues, and its disclosure is an essential aspect that cannot be overlooked in evaluating corporate performance [17]. Companies with higher profitability levels generally attract greater investor interest, which subsequently influences firm valuation [18]. In this regard, CSR functions as a reputational mechanism that enhances public trust and appeals to

investors who prioritize sustainability-oriented investment principles [19], [20]. While the prudent use of debt can enhance firm value, excessive leverage increases the risk of financial distress and potential bankruptcy [21]. Effective CSR practices can strengthen corporate reputation, attract investors, and ultimately contribute to higher firm value [22]. Accordingly, CSR is positioned as a connecting mechanism that links profitability and leverage to firm value, where it may amplify the positive effects of profitability and mitigate the adverse consequences of high leverage [17].

Despite its growing importance, empirical findings regarding the role of CSR remain inconclusive, indicating a clear research gap. Several studies suggest that CSR moderates the relationship between financial performance and firm value by reinforcing a company's positive image among stakeholders [23], [24]. Empirical evidence from [17], [9], [11] demonstrates that CSR is capable of moderating the effect of profitability on firm value. Conversely, other studies report that CSR fails to moderate this relationship [25], [26], [27]. These conflicting findings are often attributed to the cost implications of CSR activities, which may increase operational expenses, reduce profitability, and limit dividend distribution, thereby diminishing investor interest and lowering firm value.

Similar inconsistencies are also observed in the relationship between leverage, CSR, and firm value. Several studies find that CSR disclosure moderates the impact of leverage on firm value [28], [29], suggesting that socially responsible practices can alleviate negative investor perceptions associated with high debt levels. However, other research indicates that CSR does not moderate the leverage firm value relationship [30]. This divergence may stem from the tendency of highly leveraged firms to limit CSR activities in order to avoid additional scrutiny from investors, which may ultimately weaken firm value.

The urgency of this research lies in the need to obtain a deeper understanding of the moderating role of CSR in strengthening or weakening the influence of profitability and leverage on firm value, particularly in food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. Considering the post-pandemic economic environment and the increasing demand for transparency in social responsibility practices, this study is expected to provide a theoretical contribution by

enriching models that explain the relationship between financial performance and firm value from a sustainability perspective. Overall, this research aims to analyze the effect of profitability and leverage on firm value and to examine the moderating role of CSR in this relationship. In terms of novelty, this study incorporates CSR as a moderating variable within an empirical framework that has predominantly focused on direct relationships between financial variables and firm value. This approach offers a new perspective on how social responsibility can enhance the linkage between financial performance and market valuation, particularly in strategic industries such as the food and beverage sector.

Signalling Theory

Signaling Theory was initially introduced by [31], to explain how information asymmetry between internal and external parties can be reduced through the transmission of signals. The core components of this theory consist of the signal sender, the signal itself, and the signal receiver. The signal sender represents internal parties, such as management or executives, who possess private information about individuals [31], organizations [32], or products [33], that is not accessible to external stakeholders. This information may include both favorable and unfavorable aspects, such as product or service specifications, preliminary sales performance, labor negotiations, or ongoing legal issues within the organization [34]. Signals are therefore defined as informational cues deliberately conveyed by one party to another with the intention of influencing perceptions and subsequent decisions.

After acquiring confidential information, internal parties determine whether such information should be disclosed to external stakeholders. Consequently, the signaling process may involve both intended signals, which are generally positive, and unintended signals, which are often negative and may distort the interpretation of the intended message. These unintended signals can interfere with effective signal transmission and lead to misinterpretation by signal receivers. The signaling mechanism is completed through the presence of signal receivers, typically external parties such as investors, who have limited

access to internal information and rely on available signals to form judgments about the organization [34]. Due to differing interests between signal senders and receivers, signaling may involve strategic behavior, where senders benefit from influencing receivers' decisions, potentially at the receivers' expense [35]. For a signal to be effective, it must generate outcomes that would not occur in the absence of such a signal, thereby producing a strategic effect [34].

Within a financial context, Signaling Theory suggests that companies utilize financial indicators such as profitability and capital structure (leverage) as signals to communicate their performance and future prospects to the market. High profitability conveys a positive signal regarding a firm's ability to generate earnings and efficiently manage its assets, which enhances investor confidence and ultimately increases firm value [3].]. In contrast, excessive leverage may be interpreted as a negative signal, reflecting heightened financial risk that can adversely affect firm value if not supported by strong profitability performance [36].

Profitability functions as a primary signal transmitted by firms to demonstrate managerial effectiveness in resource utilization. A high level of profitability signals favorable growth prospects and strong future earning potential [3]. Investors tend to respond positively to this signal through increased investment activity, which may lead to higher stock prices and enhanced firm value. Meanwhile, leverage indicates the extent to which a firm relies on debt financing to support its operations and also serves as a signal to investors. Moderate use of debt can be perceived as a positive signal of management's confidence in the firm's ability to meet future obligations, thereby reflecting sound business prospects. However, when leverage exceeds an optimal level, it generates a negative signal, as it suggests increased financial risk and potential liquidity constraints that may undermine investor confidence and reduce firm value [36].

Stakeholder Theory

Stakeholder Theory, introduced by [37] posits that a company's responsibility extends beyond shareholders to encompass a broad range of stakeholders, including employees, customers, communities, and government entities. This theory argues that the

sustainability of firm value cannot rely solely on financial performance, but must also consider the firm's ability to fulfill the social and environmental expectations of its stakeholders. Stakeholder Theory integrates ethical considerations into business decision-making, emphasizing that business and ethics are inherently interconnected. Every managerial decision carries ethical implications because it affects outcomes for multiple stakeholder groups. Efforts to separate business decisions from ethical considerations are described as separation fallacies, as they overlook the real-world consequences of organizational actions.

According to Stakeholder Theory [37], organizations seek to create value for diverse stakeholder groups both individuals and entities that can influence or are influenced by organizational activities in order to ensure long-term survival and success. Consequently, firms face an inherent tension between maximizing shareholder returns, such as dividends, and addressing the interests of other stakeholders, including civil society, local communities, customers, employees, government institutions, shareholders, and suppliers [37]. The conceptual foundation of Stakeholder Theory dates back to the 1960s, when the Stanford Research Institute introduced the stakeholder concept, highlighting that organizational continuity depends not only on shareholder support but also on the engagement and approval of a wider stakeholder network.

Within this framework, Corporate Social Responsibility (CSR) represents a strategic commitment to strengthening relationships between firms and their stakeholders, which can enhance corporate legitimacy, reputation, and ultimately firm value [19], [38]. Grounded in Stakeholder Theory, CSR disclosure functions as a mechanism that reinforces positive signals derived from profitability while simultaneously mitigating the potential negative perceptions associated with high leverage. By demonstrating a firm's commitment to sustainability and social responsibility, CSR helps align corporate actions with stakeholder expectations, thereby improving market perceptions of firm performance and value [39]. Accordingly, CSR serves not only as an ethical obligation but also as a strategic instrument that enhances the credibility of financial signals and supports long-term value creation.

Company profitability, as measured by Return on Assets (ROA), reflects the level of operational efficiency and the firm's ability to generate earnings from its asset base. ROA serves as a fundamental indicator of financial performance and organizational health. An increase in profitability signals that management is capable of utilizing company assets effectively to produce profits, indicating successful operational strategies and efficient resource allocation. Within the framework of Signaling Theory, high profitability is communicated as a positive signal to investors and other stakeholders, suggesting favorable future prospects, stable cash flows, and strong growth potential. Consequently, the market tends to respond by assigning a higher firm value, which is reflected in an increase in Tobin's Q. Empirical evidence supports this relationship, as several studies in Indonesia have found that profitability has a positive and significant effect on firm value [40]. High profitability also reflects a company's capacity to generate optimal returns for shareholders [41], enabling firms to distribute dividends more consistently, which further contributes to enhanced firm value. [42].

From the perspective of Stakeholder Theory, strong profitability indicates that the firm is able to fulfill the economic expectations of various stakeholder groups, including shareholders, creditors, employees, and the broader community, by ensuring value creation and operational sustainability. Consistent profit generation provides firms with greater flexibility to reinvest in innovation, business expansion, social responsibility initiatives, and capital structure improvements, all of which can strengthen corporate reputation and stakeholder trust. This increased confidence reinforces positive market perceptions regarding firm quality and long-term sustainability, thereby encouraging an appreciation in firm value. Empirical findings in the Indonesian food and beverage sector further confirm that ROA has a positive and significant effect on Tobin's Q [40]. These results are consistent with prior studies conducted by [9], [43], [44], [45] which similarly document a significant positive relationship between profitability and firm value.

Hypothesis1 : Profitability has a positive effect on company value.

Leverage or high solvency ratio indicates the amount of the company's obligations to creditors (Mariani *et al.,* 2016). Although leverage can increase profitability if managed

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properly, excessive use of debt can actually have a negative impact on company value. One negative impact is increased financial risk, where high interest expenses and debt repayment obligations can cause financial difficulties, even leading to bankruptcy if the company experiences a decline in revenue. In addition, investors tend to avoid companies with high debt ratios because they are considered to have high risk, which can cause stock prices to fall and reduce the value of the company. High interest expenses can also reduce the net profit available to shareholders, thereby reducing returns for investors and making the company less attractive to the market. If a company can demonstrate good quality, market uncertainty is expected to decrease, which in turn may encourage investors to invest, thereby increasing the company's share price [41]. This statement is in accordance with the results of previous research conducted by [9] stating that leverage has a negative effect on the company's value.

Leverage (the proportion of debt in the capital structure) is viewed within the framework of trade-off theory as a tool to increase company value through the benefits of tax shields and cheaper external funding compared to equity. Therefore, optimal use of debt can increase expectations of future cash flows and strengthen market valuation (Tobin's Q) [47]. Empirical research results in cross-country and emerging market studies show evidence that, especially for medium-to-large companies or non-cyclical sectors, an increase in leverage is positively related to Tobin's Q. This positive effect may arise when debt is used for productive investment and when the risk of bankruptcy is relatively controlled [48]. In addition, the combination of governance practices and non-financial performance (e.g., ESG/CSR performance) often reinforces the positive impact of capital policies on company valuation, which can balance leverage with sustainability practices that tend to be perceived as more capable of managing risk and generating higher market value. [48]. The Food & Beverage sub-sector generally has more stable demand (basic necessities) and clear investment opportunities in production capacity/branding. well-managed leverage increases in companies in this subsector have the potential to translate into an increase in Tobin's Q through better profit and growth expectations. Therefore, the hypothesis that leverage has a

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positive and significant effect on Tobin's Q in Food & Beverage companies listed on the IDX is reasonable both theoretically and empirically [48].

Trade-Off Theory posits that firms determine an optimal mix of debt and equity by balancing the advantages of debt usage particularly tax shield benefits against the potential costs associated with financial distress and excessive interest obligations [49], [50]. From this perspective, as long as leverage remains within an optimal range—where the marginal benefits of additional debt, such as tax efficiency and lower capital costs, exceed the marginal costs—an increase in leverage will reduce the firm's Weighted Average Cost of Capital (WACC) and, consequently, enhance firm value [50]. Accordingly, firms that are able to manage their capital structure effectively may experience an increase in market value, as reflected in a higher Tobin's Q, which captures market expectations regarding future cash flows and growth prospects. In addition, Signaling Theory provides an informational rationale for the positive relationship between leverage and firm value. The decision to utilize debt at a prudent level conveys a positive signal to investors that management is confident in the firm's future performance and its capacity to meet interest and principal obligations [51]. In this context, a healthy debt ratio is interpreted as an indication that the firm possesses sufficient cash flow, sound financial management, and readiness to finance expansion or investment activities. This positive perception enhances investor confidence and leads to a higher market valuation, as captured by Tobin's Q.

The integration of Trade-Off Theory and Signaling Theory offers a robust theoretical framework for predicting the effect of leverage on firm value. When leverage is managed optimally and within reasonable limits, it is expected to exert a positive and significant influence on firm value. In the context of food and beverage sub-sector companies, which generally exhibit relatively stable demand and favorable growth prospects, strategic debt utilization can strengthen financial capacity, lower the cost of capital, and transmit positive signals to the market, thereby contributing to increased firm value.

Hypothesis2 : Leverage has a significant positive effect on company value.

Corporate Social Responsibility (CSR) has the potential to strengthen the relationship between profitability and firm value by enhancing corporate reputation,

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increasing investor attractiveness, and fostering customer loyalty. However, CSR may also weaken this relationship when excessive CSR expenditures reduce short-term profitability or when such activities are perceived by the market as lacking relevance to firm performance. High profitability reflects a firm's ability to generate substantial earnings, and when accompanied by comprehensive and transparent CSR disclosure, it is more likely to be associated with higher firm value.

From the perspective of Signaling Theory, profitability functions as a strong financial signal that attracts investor interest. When a firm demonstrates high profitability while simultaneously disclosing its social responsibility initiatives, it sends an additional positive non-financial signal that reinforces investor confidence. CSR disclosure signals management's commitment to sustainability, ethical conduct, and long-term value creation, thereby strengthening the credibility of profitability signals and enhancing market valuation. Empirical evidence supports this moderating role of CSR, as prior studies by [9], [29] find that CSR disclosure is able to moderate the effect of profitability on firm value by strengthening the relationship. Similarly, studies conducted by [52], [53] conclude that CSR amplifies the positive impact of profitability on firm value through the formation of a favorable corporate reputation and increased market trust.

Hypothesis3 : Corporate Social Responsibility can moderate the influence of profitability on company value.

Even though a company has high debt, if it has a good relationship with its debt holders and is able to provide good social responsibility information, it is likely to increase its value [54]. This means that even though the company has a high dependence on debt, it is required to disclose comprehensive corporate social responsibility activities to demonstrate its main priority strategy, namely the company's existence, so that it is viewed favorably by potential investors. Legitimacy theory is also used as information that the company has performed well in addressing social and environmental issues. This provides detailed information so that the company has easy access to funding from investors and creditor institutions. This statement is consistent with the results of previous studies

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conducted by [28], [29] which found that corporate social responsibility can moderate the effect of leverage on company value. Similarly, the results of research by [23] support the notion that CSR can weaken the negative influence of leverage on company value by fostering perceptions of stability and ethical compliance in the eyes of investors.

Hypothesis4: Corporate Social Responsibility can moderate the impact of leverage on company value.

Method

This study adopts a descriptive quantitative research approach aimed at analyzing the relationships among variables through numerical data processing and inferential statistical techniques. The study utilizes secondary data obtained from the annual reports and sustainability reports of food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2021–2023. The research population comprises all food and beverage sub-sector firms listed on the IDX during the observation period, totaling 26 companies. Based on the established criteria, 25 companies were selected as the research sample using a non-probability sampling technique with a purposive sampling method. According to [55], purposive sampling refers to a sampling technique in which sample selection is based on the researcher's judgment regarding characteristics that are most relevant to the research objectives.

The sampling criteria applied in this study include: (1) food and beverage sub-sector companies consistently listed on the IDX throughout the 2021–2023 period; (2) companies that published complete annual financial statements and sustainability reports during the observation period; and (3) companies with measurable and accessible CSR disclosure data. The data structure employed is panel data, which combines time-series data covering the 2021–2023 period and cross-sectional data consisting of 25 companies. Data analysis was conducted using EViews version 13, employing panel data regression analysis with the Random Effect Model (REM) approach and Moderated Regression Analysis (MRA) to test the moderating effect of Corporate Social Responsibility. The econometric model used in this study is presented as follows:

Tobin q = α + β1 ROA + β2 DAR + e……………………………………………………….(1)

Tobin q = α + β1 ROA + β2 DAR + β3 CSR + e…………………………………………....(2)

Tobin q = α + β1 ROA + β2 DAR + β3 ROA* CSR + β4 DAR* CSR + e……………....(3)

Table 2. Variables definitions

Variabel	Description	Reference
Dependent Tobin q	Tobin's Q is computed as the natural logarithm of the Market-to- Assets ratio. The MTA ratio is obtained as (total assets - book value of equity + market capitalization on December 31st of the fiscal year) by total assets.	[56]
Independent ROA	Return on assets ratio computed as the net income by the total assets.	[57]
DAR	Ratio computed as total liabilities by total assets	[56]
Moderation CSR	Company expenditure on charitable donations, employee welfare, by EAT	[58]

Sources: Authors'own work

Results and Discussion

Descriptive Statistical Analysis

Descriptive statistical analysis describes each variable using minimum, maximum, mean, and standard deviation values. If the standard deviation value is lower than the mean value, then the variable is considered to be increasing. The following are the results of the descriptive statistical analysis of the study:

Table 3. Descriptive Statistics

	Obs	Min	Max	Mean	Std. Dev
ROA (X1)	75	.03	94.00	10.3313	12.25907
DAR (X2)	75	.42	94.00	33.8897	21.84367
CSR (MO)	75	.22	.45	.3035	.05960
TOBIN Q (Y)	75	.14	6.52	1.8615	1.28943
Valid N (listwise)	75				

Sources: Authors' own work

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The Descriptive Statistics table shows an overview of the characteristics of the data for each research variable. The number of observations (N) is 75, obtained from 25 companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange during the period 2021–2023 (3 years of observation). Return on Assets (ROA) has a minimum value of 0.03 and a maximum of 94.00, with a mean of 10.3313 and a standard deviation of 12.2590. Debt to Assets Ratio (DAR) shows a minimum value of 0.42 and a maximum of 94.00, with an average of 33.8897 and a standard deviation of 21.8437. This average indicates that approximately 33.89% of company assets are financed by debt. Corporate Social Responsibility (CSR) has a minimum value of 0.22 and a maximum of 0.45, with an average of 0.3035 and a standard deviation of 0.0596. This average value indicates that the level of CSR disclosure in food and beverage sub-sector companies is still moderate. Tobin's Q as a proxy for company value has a minimum value of 0.14 and a maximum of 6.52, with an average of 1.8615 and a standard deviation of 1.2894.

Table 4. Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.308513	3	0.3465

Sources: Authors' own work

The selection of the best model in panel data analysis was conducted through the Hausman test to determine whether the Fixed Effect Model (FEM) or Random Effect Model (REM) was more appropriate for use in the study. Based on the test results, a Chi-Square probability value of 0.3465 was obtained, which is greater than the significance level of 0.05. Thus, the decision made is that the REM model is more appropriate than the FEM because there is no significant difference between the two estimators [59], [60]. These results indicate that individual variations in the observation units in the study are random and uncorrelated with the independent variables, so the REM model is considered more efficient for providing unbiased and consistent parameter estimates [61]. Therefore, further analysis in this study uses the Random Effect Model approach as the basis for interpreting the estimation results.

Correlation Probability	TOBINQ	ROA_CSR	DAR_CSR	ROA	DAR	CSR
TOBINQ	1.000000					

ROA_CSR	0.271912	1.000000				
	0.0183	-----				
DAR_CSR	0.220922	0.101419	1.000000			
	0.0568	0.3866	-----			
ROA	0.275310	0.989571	0.035021	1.000000		
	0.0168	0.0000	0.7655	-----		
DAR	0.163770	0.011902	0.945008	-0.032621	1.000000	
	0.1603	0.9193	0.0000	0.7811	-----	
CSR	0.054563	0.224489	0.335398	0.117277	0.057238	1.000000
	0.6420	0.0528	0.0033	0.3163	0.6257	-----

Picture 1. Matrix of correlations

Sources: Authors' own work

As mentioned earlier, this study uses the REM model based on the results of the Breusch Pagan LM test for regression analysis. The results of the Breusch Pagan LM test show that REM is most suitable for analysis in regression models with a cross-section F value of 0.0000.

Table 5. Regression 1 results

	Coef	St.Err	*t-value*	*p-value*	Sig
C	1.177889	0.343864	3.425452	0.0010	
ROA	0.009176	0.004855	1.889843	0.0628	insignificant.
DAR	0.017373	0.006415	2.708207	0.0084	significant.
R-Squared	0.072293				
Dependent Variable: Tobin's Q					

Note(s): Standard errors in parentheses. Sig = p < 0.05
Sources: Authors' own work

Tobinq = 1.17788911437 + 0.00917589105798 ROA + 0.0173733548552 DAR…………………………………………………………………………………….(4)

The first regression result shows that the Return on Assets (ROA) variable has a positive coefficient of 0.009176 with a significance value of 0.0628 (>0.05), so it is declared to have no significant effect on the dependent variable. This indicates that an increase in

company profitability does not directly increase company value in the context of this study. Meanwhile, the Debt to Asset Ratio (DAR) variable has a positive coefficient of 0.017373 with a significance value of 0.0084 (<0.05), thus having a significant positive effect on company value. This means that the capital structure indicated by the leverage ratio has an important contribution in increasing company value. The constant value of 1.177889 indicates that when ROA and DAR are considered constant, the company value remains at that figure. The R-Squared value of 0.072293 indicates that approximately 7.2% of the variation in company value can be explained by ROA and DAR, while the rest is influenced by other factors outside the model.

Table 6. Regression 2 results

	Coef	St.Err	*t-value*	*p-value*	Sig
C	1.317025	0.827284	1.591986	0.1158	
ROA	0.009254	0.004932	1.876566	0.0647	insignificant.
DAR	0.017423	0.006505	2.678495	0.0092	significant.
CSR	-0.466727	2.486293	-0.187720	0.8516	insignificant.
R-Squared	0.060148				
Dependent Variable: Tobin's Q					

Note(s): Standard errors in parentheses. Sig = p < 0.05
Sources: Authors' own work

Tobinq = 1.31702463697 + 0.00925444916254 ROA + 0.0174231912472 DAR - 0.466726959362 CSR…………………………………………………………………………..(5)

The second regression result shows that the Return on Assets (ROA) variable has a positive coefficient of 0.009254 with a significance value of 0.0647 (>0.05), so it is declared to have no significant effect on company value. This indicates that profitability has not been able to directly increase company value in this model. The Debt to Asset Ratio (DAR) variable has a positive coefficient of 0.017423 with a significance value of 0.0092 (<0.05), which means it has a significant positive effect on company value. This means that the higher the leverage used by a company in its capital structure, the higher the company value. Meanwhile, the Corporate Social Responsibility (CSR) variable has a negative coefficient of -0.466727 with a significance value of 0.8516 (>0.05), so it does not have a significant effect on company value. This indicates that corporate social responsibility activities have

not made a real contribution to increasing company value. The R-Squared value of 0.060148 indicates that approximately 6.01% of the variation in company value can be explained by the ROA, DAR, and CSR variables, while the rest is influenced by factors outside this research model.

Table 7. Regression 3 results

	Coef	St.Err	*t-value*	*p-value*	Sig
C	1.754896	1.426553	1.230165	0.2228	
ROA	-0.002913	0.075736	-0.038464	0.9694	insignificant
DAR	0.007497	0.028168	0.266162	0.7909	insignificant
CSR	-1.993150	4.762896	-0.418474	0.6769	insignificant
ROA_CSR	0.037976	0.226078	0.167979	0.8671	insignificant
DAR_CSR	0.035255	0.097381	0.362031	0.7184	insignificant
R-Squared	0.034479				
Dependent Variable: Tobin's Q					

Note(s): Standard errors in parentheses. Sig = $p < 0.05$
Sources: Authors' own work

Tobin's Q = 1.75489585311 - 0.00291309558497 ROA + 0.00749721364705 DAR - 1.99314968034 CSR + 0.037976281029 ROA*CSR + 0.0352549218039 ROA*DAR……………………………………………...(6)

The results of the moderated regression analysis show that all independent variables and interactions have no significant effect on company value (Tobin's Q). The Return on Assets (ROA) variable has a negative coefficient of -0.002913 with a significance value of 0.9694 (>0.05), indicating that profitability has no significant effect on company value. The Debt to Asset Ratio (DAR) variable is also insignificant with a positive coefficient of 0.007497 and a significance value of 0.7909 (>0.05), indicating that the level of leverage has not had a real impact on increasing company value. Corporate Social Responsibility (CSR) has a negative coefficient of -1.993150 with a significance value of 0.6769 (>0.05), which means that social responsibility activities are not able to significantly increase company value. The interaction between ROA*CSR also shows insignificant results (p = 0.8671), indicating that CSR does not moderate the relationship between profitability and company

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value. The interaction between DAR*CSR also shows insignificant results (p = 0.7184), indicating that CSR does not moderate the relationship between profitability and company value.

The R-Squared value of 0.034479 indicates that the variables of profitability, leverage, and CSR can only explain 3.44% of the variation in company value, while the remaining 96.56% is influenced by other factors not included in this research model. This condition can occur in studies that examine companies in the food and beverage sector, because company value in this industry is greatly influenced by external variables such as macroeconomic conditions, industry competition structure, brand reputation, market growth, government policy, product innovation, and investor sentiment in the capital market [7], [62]. In addition, the literature states that company value is more often triggered by market expectations of future growth prospects than simply influenced by internal indicators such as profitability or leverage [63]. Low R-Squared values are also commonly found in financial studies that use cross-company panel data, because each company has unique characteristics that cannot be fully captured by the limited independent variables in the study [60], [61]. Thus, a low R-Squared value does not necessarily indicate that the model is unsuitable, but rather illustrates that company value is a complex phenomenon that requires a broader scope of variables to obtain a more comprehensive explanation.

Discussion

The results of the study indicate that the level of return on assets obtained by companies has not been a major determinant in improving market perceptions of company value. This condition may be due to fluctuations in financial performance during the post-pandemic recovery period, with investors tending to be more cautious in assessing company prospects based solely on profitability indicators and preferring companies that are much more active in terms of trends. According to the results of research by [64] ROA does not always have a significant influence on company value when the market considers short-term profitability to not yet reflect long-term growth potential.

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Conversely, the results of this study indicate that leverage (DAR) has a positive and significant effect on company value. These findings show that the use of debt in capital structure can increase company value if managed efficiently. Based on signaling theory [31], companies with optimal leverage levels send a positive signal to investors that management is confident in the company's ability to meet its financial obligations and manage risk. This study is consistent with the results of studies [64], [65] which found that leverage has a significant effect on company value, especially in capital-intensive industries such as food and beverages.

The results of the moderating variable interaction show that Corporate Social Responsibility (CSR) is unable to moderate the influence of ROA and DAR on company value. The insignificant interaction coefficient indicates that social responsibility disclosure is not yet strong enough to strengthen the relationship between financial performance and company value. CSR should be a means for companies to gain social legitimacy from the public and investors. However, in the context of the food and beverage industry in Indonesia, CSR practices are often still symbolic (symbolic disclosure) and have not been strategically integrated into business operations, so they do not have a significant impact on increasing the market value of companies [66]. According to the results of research by [64] CSR in Indonesia is mostly carried out as a form of regulatory compliance with government regulations rather than as a business strategy that creates economic added value. Thus, even though CSR has social value, investors do not seem to view these activities as an important factor that directly improves stock market performance or company value.

The results of observations in the food and beverage sector for the period 2021-2023, analysis of Global Reporting Initiative (GRI) indicators in the sustainability reports of a number of companies show significant variations in the scope of indicators disclosed. Some companies only report on philanthropic and community CSR activities without showing performance measures or the integration of CSR programs into the operational value chain. This indicates that many CSR initiatives are still "reported" for legitimacy purposes rather than being a strategic part of the business model [67]. From a market effect perspective, a

number of empirical studies in Indonesia have found inconsistent results. Some studies report that the effect of CSR on company value is insignificant or even negative, especially when the quality or substance of reporting is low [66]. These findings are consistent with the theoretical explanation that investors view CSR that appears symbolic as a signal of little value (greenwashing), so the market does not give a meaningful value premium. Thus, the low contribution of 3.44% to company value variance is evidence that many reported CSR programs are not yet strategic and have not changed market expectations regarding future performance. Based on the IDX Sustainability Report and research reviews, the argument that CSR practices in the Food & Beverage sector during 2021-2023 are often symbolic is supported by (1) the widespread adoption of sustainability reporting, albeit of varying quality; (2) evidence that report content emphasizes philanthropic/legitimacy activities rather than measurable operational metrics, and (3) empirical results showing that the relationship between CSR and company value is not always positive or significant when CSR quality is weak.

In terms of managerial implications, these findings provide important insights that companies in the food and beverage sub-sector need to pay attention to efficiency in debt management and increased transparency in CSR activities. Management must ensure that CSR activities are not merely a formality, but are directly linked to improving reputation and investor confidence. In addition, companies can strengthen their signals to the market through sustainability reports that reflect their commitment to environmental, social, and governance (ESG) principles. Theoretically, this study enriches the application of signaling theory and legitimacy theory in the context of the Indonesian capital market. Signaling theory is relevant in explaining how leverage is used as a communication tool between management and investors. Meanwhile, legitimacy theory provides an understanding that although CSR is expected to strengthen the relationship between financial performance and company value, in reality this depends on public perception and the depth of CSR implementation itself. Overall, this study provides empirical evidence that in the context of Indonesian public companies, traditional financial performance (such as leverage) remains

the main concern for investors, while CSR disclosure needs to be strengthened in order to have greater economic relevance and social legitimacy.

Conclusion

Based on the results of data analysis and discussion, this study concludes that, in general, financial performance, particularly leverage, has a significant effect on the value of companies in the food and beverage sub-sector in Indonesia, while profitability and Corporate Social Responsibility (CSR) have not shown a strong role in increasing company value during the research period. The test results show that profitability (ROA) does not have a significant effect on company value (Tobin's Q), which indicates that the level of return on assets generated by the company has not been able to create a positive perception in the eyes of investors. This may be due to fluctuations in financial performance during the post-pandemic economic recovery period, where the market is more cautious in assessing the long-term prospects of companies based solely on profit performance.

Conversely, leverage (DAR) proved to have a positive and significant effect on company value, indicating that the efficient use of borrowed funds can send a positive signal to investors about the company's ability to optimize its capital structure and manage financial risk. This finding reinforces the relevance of signaling theory, which explains that management's financial decisions serve as an important means of communication to the market regarding the prospects and confidence in the company's performance.

Meanwhile, the results of the analysis show that Corporate Social Responsibility (CSR) does not play a significant role as a moderating variable in the relationship between profitability and leverage on company value. This indicates that the implementation of CSR in companies in the food and beverage sub-sector is still unable to strengthen the relationship between financial performance and company value. Based on the legitimacy theory perspective, these results indicate that CSR activities are still symbolic in nature and have not been fully integrated with business strategies oriented towards creating sustainable

economic and social value. These findings are in line with a number of previous studies that reported that CSR disclosure is not always followed by an increase in company value. For example, a study of manufacturing companies on the IDX for the period 2014–2019 found that CSR had no significant effect on company value [65]. Similarly, a recent study in the food and beverage sector explains that even though CSR has been disclosed, its effect on company value is weak or insignificant [64].

Overall, this study provides empirical contributions to the development of financial management and corporate sustainability literature in Indonesia by confirming that in the context of the food and beverage sub-sector, traditional financial factors such as leverage are still the main indicators that investors pay attention to, while non-financial factors such as CSR need to be optimized so that they can function as a means of legitimacy and a strategy for increasing company value. The implications of these results encourage companies to strengthen the quality of their CSR disclosure and implementation, as well as ensure that their funding and profitability strategies are managed efficiently and transparently to increase investor confidence and corporate value in the capital market. Therefore, to strengthen the causal claim that CSR has not increased market value, further research should include measurements of CSR quality (such as GRI/GRI-based completeness scores, external assurance, measurable environmental/social performance indicators) or content analysis that distinguishes between symbolic and substantive disclosure in company reports.

However, this study has limitations. First, CSR measurement is based solely on the level of disclosure, without considering the quality of implementation or the actual impact of CSR. Second, the study uses a simple moderation model and a relatively short observation period, so it cannot capture the long-term effects of CSR on company value. Third, other variables that are likely to affect company value, such as company size, ownership structure, brand reputation, market growth, and macroeconomic factors, have not been included in the model.

Given these limitations, further research is recommended to: (1) measure CSR quality more comprehensively, for example through ESG scores, GRI-based completeness indices, or external assurance; (2) include additional relevant control variables (company

size, ownership structure, growth, brand reputation, industry conditions, and macroeconomic factors); (3) extend the research time frame to capture the long-term impact of CSR; and (4) consider content analysis or a qualitative approach to distinguish between symbolic CSR (symbolic disclosure) and substantive CSR (substantive disclosure) as a basis for interpreting company value.

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