

Transparency and Firm Performance: The Influence of Earnings Quality and CSR under Dividend Policy Moderation

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ABSTRACT

The market value of a business organization depends on the evaluation made regarding the performance and potential of the entity, which includes quantitative factors as well as qualitative aspects. This study focuses on the effect of earnings quality and corporate social responsibility (CSR) on firm valuation, more specifically analyzing the role of dividend policy as a moderator of these links. The target population is composed of firms that operate in the energy, basic materials, logistics, manufacturing, and infrastructural industries and are listed at the Indonesia Stock Exchange during the period of 2021 to 2024. The sample is purposefully chosen based on panel data and moderation analyses. Moreover, dividend strategy acts as a key factor in modifying the path and strength of these connections. These results suggest that firm wealth is not only shaped by fiscal performance, but also by how organizations align social commitments and strategic profit distributions.

INTRODUCTION

Enterprise value serves as a critical indicator of market sentiment regarding a company's operational efficiency, growth prospects, and enduring stability. In today's economic landscape, a firm's worth is defined less by its physical assets and more by investor expectations of its capacity to generate consistent, long-term cash flow and sustainable capital growth. Conceptually, firm value is tightly joined to the aim of increasing owner wealth, which is usually shown by fluctuations in share prices on the exchange (Fadillah et al., 2021). Furthermore, firm value may also indicate how effectively management creates value for investors through its strategic decisions (Susanto & Suryani, 2024). Therefore, enhancing firm value becomes a primary focus in financial management as it directly relates to increasing shareholders' prosperity.

In empirical studies, firm value is frequently measured using Tobin's Q, which evaluates the market value of an entity against the replacement cost of its assets (Yuliani et al., 2024). This measure is deemed exhaustive as it mirrors how investors evaluate a firm's proficiency in employing its capital to create surplus worth. A Tobin's Q result higher than one shows that the industry assigns a bonus to the firm's expansion potential, whereas a figure under one implies that the firm has currently not fully utilized its internal resources for optimal gain.



Data reported by the Indonesia Stock Exchange in 2023 indicate that firm value in Indonesia experienced considerable fluctuations during the 2017–2022 period. These movements reflect shifts in investor perceptions toward corporate performance and future prospects. The sharp decline from its peak in 2019 2.42 to 0.52 in 2022 may signal weakening market confidence and pressure on underlying fundamentals. This pattern suggests that firm value is highly responsive to a combination of financial and non-financial determinants. Amidst rising international volatility, a firm's capacity to integrate these two factors is vital for protecting and recovering its enduring market value within the current economic landscape.

A major financial factor of firm value is reporting excellence. Earnings quality means the level at which stated returns are capable of correctly and reliably showing a business's actual economic results and providing a solid ground for management plans (Bernstein & Siegel, 1979). Top-tier earnings are generally reinforced by healthy internal cash flows and are rarely affected by flexible accounting choices. In this scenario, accurate income records play a key part in narrowing the knowledge divide between insiders and owners, which eventually raises market certainty (Octaviani & Suhartono, 2021).

Past research data typically links superior profit integrity with elevated firm value, as shareholders often exhibit more confidence in companies that provide clear and believable fiscal records to the public within the capital market. Research by Razak et al. (2025) and Intara et al. (2024) identifies a positive correlation, indicating that investors factor the reliability of accounting data into their valuation assessments. Conversely, other studies present conflicting results; for instance, Jonathan & Machdar (2018) find that earnings quality may negatively affect firm value, suggesting that enhanced transparency in financial reporting does not always result in a higher market price. Such inconsistencies may occur when better earnings quality is not supported by strong operational performance, or when investors prioritize other considerations such as risk, growth opportunities, and industry characteristics. Thus, the influence of earnings quality on firm value appears contingent on how market actors perceive the revealed information for their decisions.

Apart from monetary elements, non-monetary variables also add meaningfully to firm value, specifically via Corporate Social Responsibility (CSR) reporting. CSR shows an entity's dedication to societal and ecological duties as a component of its wider sustainability goals (Bowen, 2013). From a strategic perspective, CSR disclosure represents more than regulatory compliance; it also serves as a strategic instrument to improve corporate reputation (Masrunik et al., 2021). A growing body of literature suggests that CSR can strengthen firm value by improving relationships with stakeholders and reinforcing corporate legitimacy. Scientific research by Pramono et al. (2022) and Putu et al. (2024) reinforces this view, demonstrating that CSR programs can favorably influence shareholder opinions concerning a firm's results and its enduring growth potential.

Nevertheless, previous data also imply that CSR reporting fails to steadily increase firm value. Ivone & Alvina (2023) find a meaningful inverse relationship between CSR and company valuation in their recent study. This outcome may be explained by the substantial resources required to implement CSR programs, including financial expenditures, human capital, and operational efforts, which can potentially suppress short-term profitability. In addition, an excessive emphasis on social and environmental initiatives that are not well integrated with a firm's core business strategy may raise investor concerns regarding managerial efficiency and the alignment of corporate priorities. Consequently, the influence of CSR on firm value is probably dependent on how shareholders evaluate the equilibrium between societal accountability and monetary results within the current economic context.

Moreover, the impacts of both monetary and non-monetary elements can be bolstered through dividend policy choices. Dividend policy indicates management's selection concerning the ratio of profits given to owners versus the amount kept for business expansion (Cindy & Ardini, 2023). From a conceptual standpoint, Miller & Modigliani (1961) emphasize the importance of dividend policy in analyzing firm value within modern trading environments. Research data also reinforces its regulatory function. Razak et al. (2025) demonstrate that dividend policy moderates the link between profit integrity and firm value, whereas Gharbi and Jarboui (2023) find that dividend policy enhances the influence of CSR on results. Together, these results show that dividend policy acts as a crucial tool that defines and highlights the connection between fiscal drivers, qualitative factors, and firm value.

This study concentrates on firms operating in the energy, basic materials, transportation, industrials (industrial goods subsector), and infrastructure sectors. The selection of these sectors is based on their relatively intensive use of natural resources and their substantial contribution to greenhouse gas emissions. According to the Greenhouse Gas (GHG) Inventory and Monitoring, Reporting, and Verification Report (2024), the energy and basic materials sectors account for the highest share of national GHG emissions. In addition, the transport sector is characterized by an increasing emission trend, while the manufacturing and infrastructure sectors, especially concerning cement production, have been singled out as significant sources of CO₂ emissions globally. Against this background, these sectors present a suitable setting for analyzing the effect of earnings quality and CSR disclosure on stock value while taking into consideration the dividend policy variable.

Although there is an expanding literature, the relationship between the inclusion of financial and non-financial variables in determining firm valuation is still open to some research gaps, especially when it comes to exploring the role of dividend policy as a moderator. The empirical evidence concerning the use of this approach among environmental industries like energy, basic materials, transportation, industrials, and infrastructure is still scarce. Therefore, further examination is required. In this context, the aim of this study will be to explore the impact of earnings quality and CSR on firm valuation, with dividends acting as a moderator.

This study adopts signaling theory as the primary theoretical framework to explain the interaction between earnings quality, Corporate Social Responsibility (CSR), dividend policy, and firm value. Signaling theory suggests that companies intentionally disclose information to the public in order to provide indications about their financial condition and future business prospects (Spence, 1978). The theory arises from the existence of information asymmetry, where management possesses more detailed internal knowledge than investors and external parties. Consequently, firms are motivated to deliver reliable disclosures that can reduce uncertainty and strengthen market trust (Mustikasari, 2021). Within this perspective, earnings quality serves as an indicator of the reliability of financial reporting, CSR disclosure reflects the firm's commitment to social and environmental sustainability, while dividend policy communicates the company's financial strength and management optimism regarding future performance. These financial and non-financial signals shape investor perceptions in assessing corporate value. Therefore, signaling theory provides an appropriate basis for explaining the relationship among the variables examined and for formulating the research hypotheses.

LITERATURE REVIEW

Signal Theory

Signaling theory offers a foundational perspective for explaining how management communicates information to external stakeholders, particularly investors. This theory suggests that managers intentionally transmit signals through various disclosures to represent the firm's actual condition and its expected future performance (Spence, 1978). This perspective assumes that management has superior access to internal information compared to external stakeholders, creating an inherent information asymmetry. To mitigate this gap and reduce uncertainty in the market, companies tend to disclose relevant information that can credibly represent their actual performance (Mustikasari, 2021).

Within this research, signaling theory is utilized to describe how earnings quality, Corporate Social Responsibility (CSR), and dividend policy serve as vital indicators communicated to shareholders in the market. Earnings quality can be viewed as an indication of the credibility of financial information, where higher-quality earnings tend to represent more sustainable and reliable performance (Razak et al., 2025). Additionally, CSR disclosure does not merely reflect a firm's commitment to community and nature obligations but also serves as a planned method to boost corporate image and acceptance among stakeholders (Noor et al., 2022). In contrast, dividend policy performs as a primary fiscal sign, since regular or growing payout amounts are typically seen as markers of healthy cash positions and director optimism for future growth. Such disclosures help in building a positive reputation within the capital market (Amanatur et al., 2024). Collectively, these signals interact to shape investors' perceptions in assessing firm value.

Firm value

Firm value is broadly accepted as a depiction of investor riches and a gauge of how the industry assesses an organization's total productivity (Setiawati & Wijaya, 2023). Under a business management perspective, firm value typically shown in equity costs demonstrates the results of executive choices as well as the efficiency of the entity's tactical path (Josephine et al., 2019). In this research, firm value is measured via Tobin's Q, which highlights the link between an organization's market pricing and its fundamental capital foundations.

Initially proposed by Tobin (1976), Tobin's Q signifies the proportion of a firm's market worth relative to the substitution price of its holdings. This metric offers a perspective on how the industry judges a firm's expansion prospects and capital possibilities. A Tobin's Q score exceeding one shows that the market assigns a bonus to the firm, mirroring positive outlooks concerning future development. In contrast, a value below one suggests that the market has a less favorable view of the firm's prospects. Firms with higher Tobin's Q ratios are generally perceived as more efficient in utilizing their resources to generate value, making them more attractive to investors (Aulia et al., 2020).

Earnings Quality

Earnings quality has been broadly accepted as a core principle in accounting studies, illustrating how effectively disclosed profits mirror a firm's real economic results (Bernstein & Siegel, 1979). Profits are regarded as high quality when they offer data that is both pertinent and dependable, thus facilitating more precise shareholder investment choices (Harwandita & Srimindarti, 2023). In line with signaling theory, earnings quality can be viewed as a vital indicator, as it shows the trustworthiness of financial statements as well as the durability of a firm's output.

Empirical studies indicate that earnings quality contributes to the determination of firm value. Study by Razak et al. (2025) and Kurnia & Daito (2021) shows that variations in earnings quality are associated with changes in firm value. This relationship arises because high-quality earnings help reduce information asymmetry, enabling investors to evaluate the firm's current position and future prospects more effectively. Consequently, the quality of reported earnings becomes an essential factor in the firm valuation process. Referring to this argument, the following hypothesis is proposed:

H1: Earnings quality affects firm value.

Corporate Social Responsibility (CSR)

There have been significant changes in the definition of Corporate Social Responsibility (CSR) since it was first proposed by Bowen in his work titled "The Social Responsibilities of the Businessman." Bowen emphasized the need for corporate actions to conform to social values and therefore considered social responsibility as a key component of corporate behavior (Bowen, 2013). The transparent execution of corporate social responsibility is becoming vital, as it can simultaneously bolster a firm's reputation and increase its overall market value, according to Oktaviana et al. (2025). In contemporary practice, CSR is no longer perceived solely as an ethical obligation, but also as a strategic response to growing public awareness and increasing stakeholder demands for higher standards in products, services, and corporate behavior (Masrunik et al., 2021). This shift indicates that corporate evaluation extends beyond financial performance to include contributions to social well-being and environmental sustainability.

Referring a signaling theory perspective, CSR disclosure serves as a medium through which firms communicate their commitment to sustainable and responsible practices. Corporate Social Responsibility (CSR) serves as the foundation for companies to understand the importance of building harmonious relationships with the communities and environments surrounding their operational areas Malindha & Permatasari (2024). Such disclosures play a role in building corporate image and legitimacy, both of which are critical in shaping stakeholder perceptions (Noor et al., 2022). Accordingly, CSR should be understood not only as an operational activity but also as an informational signal that can influence how investors assess firm value.

Research findings indicate that CSR disclosure is connected to firm value. Investigations by Pramono et al. (2022) and Pitri and Mukti (2023) show that CSR carries a meaningful effect in firm value. This association can be clarified by the capacity of CSR to diminish information gaps and boost shareholder trust. Regular and clear reporting of societal and ecological actions might be viewed by the industry as an indicator of enduring viability and decreased risk levels. Accordingly, the disclosure of CSR activities serves as a significant factor in determining market valuation. Based on this reasoning, the study presents the following hypothesis:

H2: CSR affects corporate value.

Dividend Policy

Dividend policy has consistently been identified as a core subject in business finance, especially after the pioneering study by Miller and Modigliani (1961), which examines its importance to firm valuation. In reality, dividend policy mirrors director choices concerning the ratio of profits shared with investors versus the amount kept for subsequent growth (Cindy & Ardini, 2023). Dividend policy serves as a vital consideration for investors, acting as a primary determinant in their decision-making processes, as noted by Shoumi & Wardana (2024). Under the signaling theory framework,

payout distributions act as a vital informative instrument, as they are generally viewed by the industry as a sign of steady liquidity and executive trust in the company's fiscal stability (Amanatur et al., 2024).

In terms of improving the impact of earnings quality on the market value of the firm, one of the means could be dividend policy. According to the findings of Razak et al. (2025), dividend policy works as a moderating variable between earnings quality and market value of the firm. Dividend payments may help increase credibility of reported profits since the process indicates that these profits have tangible and liquid backing. In other words, such practice helps reduce any information asymmetry and thus increases confidence among shareholders. Hence, we can conclude that dividend policy plays an important role in strengthening the effect of earnings quality on the market value of the firm.

H3: Dividend policy moderates the effect of earnings quality on firm value.

In addition, dividend policy may interact with CSR in shaping firm value. Consistently implemented CSR initiatives can contribute to strengthening corporate reputation and fostering stakeholder trust (Maf'ulla & Rachmawati, 2024). Within the framework of signaling theory, CSR disclosure and dividend policy can be viewed as complementary signals that together provide a more comprehensive representation of a firm's condition. CSR highlights the firm's commitment to sustainability, whereas dividend policy reflects its financial strength and stability.

Evidence by Gharbi and Jarboui (2023) suggests that the effect of CSR on business achievement tends to be more visible in companies that maintain dividend policies. It is thus clear that the role of dividend policy here works as a moderating variable in the relationship between CSR and firm value. It is because the combination of both of them works as an effective signal for the investors, since it not only shows their involvement in social activities but also proves their financial stability. Hence, in this regard, dividend policy is treated as one of the important moderating variables to understand how CSR impacts firm value. The combined effect helps improve the image of the company overall. Based on this theory, we may develop the following hypothesis:

H4: Dividend policy moderates the effect of Corporate Social Responsibility (CSR) on firm value.

RESEARCH METHODS

This research adopts a quantitative research design. The analysis is conducted using regression techniques with panel data. The data employed are secondary data obtained from audited annual reports or sustainability reports published by the sample firms during the 2021–2024 period. The research focuses on various variables such as earnings quality, CSR disclosures, and market value in terms of Tobin's Q as well as dividend policy, measured using the dividend payout ratio.

Population and Sample

The study will be conducted using a sample population composed of companies that are part of the IDX, which belongs to sectors of energy, basic materials, transportation, infrastructure, and industries (specifically industrial goods). This is because these industries have high exposure to natural resources and affect the environment, which correlates to the CSR area being investigated. The sample is determined using a purposive sampling approach, where specific observations are selected based on predefined criteria established by the researcher. These benchmarks involve companies that remain steadily registered on the IDX during the study timeframe, issue audited annual financial

statements and deliver sustainability reports. The specific requirements for this sample selection process are outlined in Table 1.

Variable Measurement

The operational definition of each variable is explained in detail in table 2. Data analysis was conducted via Econometric Views (EViews) software. The sequence initiated with descriptive statistics to present a background of the variable distributions. Subsequently, the optimal model was determined using a series of diagnostic evaluations: the Chow Test to select between the Common Effect Model (CEM) and the Fixed Effect Model (FEM), the Hausman Test to choose between the FEM and the Random Effect Model (REM), and the Lagrange Multiplier Test to test the validity of REM over the CEM. After obtaining the most appropriate regression equation, this was used to test the hypotheses of the study. This procedure ensures a very high degree of statistical precision.

To evaluate the moderating effect, Moderated Regression Analysis (MRA) was utilized by integrating interaction variables specifically earnings quality paired with dividend policy, and CSR disclosure paired with dividend policy into the model. These interaction terms were employed to assess whether dividend policy strengthens or weakens the impact of the independent variables on firm value, as measured by Tobin's Q.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistical analysis is used to offer a summary of the research data's features, such as the mean, maximum, minimum, or standard deviation for every variable. The factors analyzed in this investigation include Earnings Quality (KLB), Corporate Social Responsibility (CSR), Dividend Policy (DPR), and Firm Value (NLP), to be measured through Tobin's Q ratio.

Table 1. Criteria Sample

No.	Definition	Total
1.	Number of companies in the energy and basic industries sector materials, transportation, and industrials (sub-sector manufacturing industry), as well as infrastructure listed on the IDX.	347
2.	Entities within the energy, basic materials, logistics, infrastructure, and industrial goods sectors that failed to issue dividend payments between 2021 and 2024.	(211)
3.	Firms within the energy, basic materials, transportation, infrastructure, and industrial goods sectors that failed to provide a continuous series of annual reports throughout the 2021–2024 timeframe.	(70)
4.	Businesses across the energy, basic materials, transportation, infrastructure, and industrial goods sectors failed to maintain a steady schedule for releasing their sustainability reports between 2021 and 2024.	(6)
5.	Firms within the energy, basic materials, transportation, infrastructure, and industrial goods sectors that failed to utilize the Global Reporting Initiative (GRI) framework.	(32)
	Number of sample	28
	Total Observation data (28 x 4 years)	112

Source: Processed Data

Table 2. Operational Variables

No	Variable	Definition	Indicator	Source
Dependent Variables				
1.	Company Value	Company is the primary measure of a company's of shareholders. Corporate value, as reflected in stock prices, serves as a valuation mechanism in corporate governance	Total Debt + Stock Priece	(El-Deeb & Allam, 2024).
Independent Variables				
1.	Earnings Quality	Earnings quality represents the degree to which a company's disclosed financial gains accurately mirror its true economic performance.	Operating Cash Flow / Net Income	(Razak et al., 2025).
2.	Corporate Social Responsibility (CSR)	Corporate Social Responsibility (CSR) represents a firm's commitment to social and environmental well-being, extending its accountability beyond the fundamental objective of profit maximization.	Disclosed Items / Total Disclosed Items	(Putu et
Moderating Variables				
1.	Dividend Policy	Dividend policy is management's decision regarding the distribution of the company's net profit to shareholders.	Dividends Paid / Net Income	(Razak et al., 2025).

Source: Processed Data

Table 3. Descriptive Statistics

Variable	Mean	Median	Max	Minimum	Std. Dev.
KLB	2,84	1,57	52,73	-4,12	5,581
CSR	0,56	0,59	0,99	0,08	0,22
NLP	1,32	1,07	5,49	0,58	0,92
DPR	4,70	0,41	469,52	0,0003	44,31

Source: Processed Data

The descriptive statistics show that the earnings quality variable (KLB) ranges from -4,12 to 52,73, with a mean of 28,4 and a standard deviation of 5,581. The fairly large standard deviation shows significant data spreading, implying substantial disparities in earnings quality among the studied entities. This fluctuation demonstrates the varied nature of financial disclosure methods and the differing states of operational success across the sample.

The CSR disclosure variable spans from 0,08 to 0,99, with a mean of 0,56 and a standard deviation of 0,22. The average score above 0,50 shows that, generally, entities exhibit a moderate degree of reporting. Furthermore, the low standard deviation implies that CSR disclosure is quite uniform among companies, signifying a relatively consistent approach to sustainability information.

Firm value, measured by Tobin's Q, shows a lowest score of 0,58 and a peak of 5,49, with a 1,32 mean and a 0,92 standard deviation for the sample. These figures indicate a moderate level of variation, implying that while differences in market valuation exist, most firms tend to cluster around

the average. This reflects relatively stable market perceptions with some degree of variation among firms.

While DPR (dividend payout ratio) ranges from 0.0003 to 469.52 with an average of 4.70 and standard deviation of 44.31. Since the standard deviation is quite larger than the mean, we can infer that there exists significant data dispersion within the study sample. This suggests that dividend distribution policies vary significantly across firms, potentially due to differences in financial capacity, strategic priorities, or the existence of outliers.

Overall, the descriptive statistics reveal varying levels of data dispersion across variables. CSR appears relatively stable compared to other variables, while earnings quality and dividend policy exhibit higher variability. This pattern indicates that financial performance and dividend decisions differ significantly among firms, whereas CSR disclosure tends to follow a more consistent trend.

Results

Model Selection Test Results

Three testing steps were conducted to determine the appropriate model to be used in the subsequent hypothesis testing. Below are the results of the model testing are displayed in table 4. Within panel data regression, three primary frameworks are available: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). The CEM operates on the assumption of homogeneity, implying that no significant differences exist across specific firms or time periods. In contrast, the FEM recognizes unobserved heterogeneity by assigning a distinct intercept to each entity, thereby capturing unique firm characteristics. Finally, the REM treats individual-specific variations as random variables that are uncorrelated with the predictors, effectively incorporating them into the error term.

Choosing the appropriate model was a process that included several tests, such as the Chow, Hausman, and Lagrange Multiplier (LM) tests. Based on the outcome of the Chow test, the p-value was determined to be 0.00 ($p < 0.05$), implying that the Fixed Effect Model (FEM) is better than the Common Effect Model (CEM). This means that there is considerable heterogeneity within the firms under consideration.

In the wake of this, the Hausman test was run as a means of comparing the applicability of either FEM or REM. In this regard, the test statistics came out to be 4.07 while the p-value was above 0.05, which makes it clear that REM is more appropriate than FEM. What it clearly suggests is that the variations at the individual level are random and not correlated with the independent variables of the model. In order to validate the choice of the model, the Lagrange Multiplier (LM) test was done between CEM or REM. The findings show the probability value is 0,00 ($p < 0,05$) which indicates the use of REM is better than CEM.

Following the comprehensive findings from these diagnostic procedures, the Random Effect Model (REM) is chosen as the optimal framework for this analysis. This model is considered more efficient in capturing the relationship between variables by accounting for random variations across firms. Once the optimal framework was identified, researchers utilized Moderated Regression Analysis (MRA) to evaluate whether dividend policy reinforces or diminishes the influence on earnings quality and Corporate Social Responsibility (CSR) on corporate firm value.

Table 4. Model Selection Test

Variable	F-Value	Chi-Square	The Right Model
Chow Test	0,00	0,00	FEM
Hausman Test	4,07	2,00	REM
Lagrange Multiplier	0,00	0,00	REM

Source: Processed Data

Table 5. Panel Data Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Discussion
KLB	-0,088	0,024	-3,643	0,000	Accepted
CSR	-0,521	0,242	-2,149	0,034	Accepted
KLB*DIV	0,021	0,007	2,890	0,005	Accepted
CSR*DIV	-0,086	0,029	-2,917	0,004	Accepted

Source: Processed Data

Panel Data Regression Test Results

This type of regression test was applied to investigate the impact of independent variables on the dependent variable. The results obtained from the regression test are displayed in table 5. Referring the results of hypothesis testing shown in the table, all variables yield probability scores lower than the 0,05 alpha level. This indicates that each variable in the regression model has a significant impact on firm value, and consequently, all of the study's proposed hypotheses are fully accepted.

Regarding the first hypothesis (H1), there was a regression coefficient of -0.088, which is based on the t-statistics value of -3.643 and the p-value of 0.000. Since the probability is still less than 0.05, it clearly implies that earnings quality has a great impact on firm value. This indicates a negative correlation between earnings quality and firm value, thus accepting the first hypothesis.

Regarding the second hypothesis (H2), the findings reveal that the coefficient is -0.521, the t-value is -2.149, and the probability is 0.034. Given that the probability value is below 0.05, it can be concluded that CSR positively impacts firm value. However, given the negative coefficient, there exists an inverse relationship between CSR disclosure and market value, hence accepting the hypothesis.

As for H3, which examines whether dividend policy plays a moderating role in the relationship between earnings quality and firm value, the KLB*DIV interaction variable resulted in a coefficient of 0.021, t-statistic of 2.890, and p-value of 0.005. The significance of the results shows that dividend policy acts as a moderator. Since the coefficient is positive, it means that dividend policy strengthens the link between earnings quality and firm value, and hence, H3 holds true.

In the case of H4, the moderating effect of the dividend policy between the CSR and firm value, it is established that the interaction (CSR*DIV) has a coefficient value of -0,086, t-statistic of -2,917, and significance level of 0,004. From the significance level of the results, we learn that the dividend policy has a moderating effect. The negative coefficient implies that the dividend policy will lower the relationship between CSR or firm value.

Altogether, the evidence proves that all variables in the regression significantly impact firm value. These results establish empirical backing for the research model and highlight the necessity of integrating financial and non-financial signals to understand how market valuation is formed.

Discussion

The Effect of Earnings Quality on Firm Value

The research results demonstrate a negative association between earnings quality and firm value, implying that better quality fails to guarantee higher valuation. Such findings indicate that earnings quality does not operate independently; its role is contingent upon various firm-specific traits, such as profitability, firm size, earnings persistence, risk exposure, and the overall capital structure of the entity. In cases where these fundamental aspects are not sufficiently strong, improvements in earnings quality alone may not be adequate to drive an increase in firm value.

In terms of signaling theory, earnings information is expected to act as a signal that reflects the firm's future prospects. However, when high earnings quality is not supported by strong financial fundamentals, the signal conveyed to the market may not be perceived as fully credible. As a consequence, investors may place less weight on such information in their valuation decisions, thereby limiting its impact on firm value.

The above findings are consistent with the empirical study carried out by Jonathan & Machdar (2018). They found that there was a negative correlation between earnings quality and market firm value. The implication is that an increase in accounting measures does not necessarily mean that the market interprets the changes positively, especially when performance levels are weak. Investors tend to consider not only profit figures, but also broader aspects such as cash flow stability and long-term growth potential. Therefore, firm value is shaped by multiple interrelated factors rather than a single financial indicator.

The Impact of CSR on Corporate Value

The results show that CSR has a considerable negative effect on firm value. These results corroborate those presented by Sapitri & Fajriana (2025) in their research, where they showed that CSR negatively correlates with firm value. One possible explanation for this may be that CSR is viewed as an extra cost that can lower profitability, especially in the short term.

Bing & Li (2019) argue that CSR implementation requires considerable resource allocation, including financial, human, and time-related investments. These expenditures can reduce short-term earnings, which may subsequently influence firm value. Similarly, Achyani et al. (2024) highlight that extensive CSR engagement may lower shareholder returns due to the increased allocation of company resources.

In addition, investors may not always perceive CSR as an immediate value-generating activity. As noted by Sapitri & Fajriana (2025), not all investors view CSR as a long-term investment with tangible short-term benefits. In sectors such as energy, basic materials, transportation, industrials, and infrastructure, CSR initiatives often involve environmental management, emission reduction, and social responsibility programs. These activities typically incur substantial costs, which can affect financial performance in the short run. Consequently, the market response to CSR may become less favorable when the economic benefits are not directly observable.

Dividend Policy Weakens the Impact of Earnings Quality on Firm Value

Empirical results reveal that the use of dividend policy has been quite effective in reducing the negative relationship between earnings quality and firm value. Dividend signaling theory is confirmed by this study, showing that dividends are signals of firm stability. Consequently, it restores investor confidence in the firm's reported performance (Purnamasari & Heraenitanuatmodjo, 2019). Firms that

distribute relatively higher dividends (average > 1) are often perceived by the market as having strong cash flow and greater confidence in sustaining their operations.

In this context, dividend payments appear to enhance investors' interpretation of accounting information, including earnings quality. The emergence of dividend signals offers further confidence to shareholders, thus diminishing the negative influence of earnings quality in firm value. Consequently, dividend policy serves to counteract the unfavorable perception often linked to a company's reported earnings quality levels.

Dividend Policy Strengthens the Impact of CSR on Firm Value

The findings further indicate that dividend policy intensifies the negative relationship between CSR or firm value. Both CSR disclosure and dividend policy act as signals to investors; however, they carry different meanings. Dividend payments are generally viewed as direct financial returns to shareholders, while CSR activities require significant resource commitments with benefits that tend to materialize over a longer time horizon.

An increase in CSR activities is often accompanied by higher operational costs, which may reduce corporate profitability and potentially limit the firm's ability to distribute dividends. Under such conditions, investors may become more sensitive to how the company allocates its resources. If CSR is perceived as reducing both profits and dividend payouts, it may be interpreted as a less favorable signal.

These results align with Achyani et al. (2024), noting that extensive CSR commitments demand substantial capital that may affect firm value. Overall, the dividend policy results indicate that shareholders often favor immediate financial gains over the sustainable, long-term advantages of CSR initiatives, emphasizing the market's preference for liquidity in Indonesia.

CONCLUSION

The study will focus on the effects of earnings quality and corporate social responsibility on the firm's value by considering the dividend policy as a moderating variable. The companies to be studied here will be those operating in the sectors of energy, basic materials, transport, industry, and infrastructure listed on Indonesia Stock Exchange. The empirical findings indicate that both earnings quality and CSR exhibit a negative relationship on firm value. This suggests that improvements in accounting-based indicators and CSR practices do not automatically translate into positive market valuation, particularly when they are not supported by strong underlying fundamentals. In reality, investors tend to assess firm value more comprehensively by considering factors such as performance consistency, risk level, and future growth prospects. Additionally, dividend policy was found to be a significant moderating variable within the scope of this study. It serves to weaken the negative relationship between earnings quality and firm value, whereas it exacerbates the inverse effect of CSR on firm value. These findings indicate that the distribution of dividends acts as a vital signaling mechanism, influencing how market participants interpret the financial and non-financial information disclosed by firms. From a practical perspective, companies are encouraged to improve the credibility of their earnings reporting and to implement CSR initiatives in a more strategic and transparent manner in order to support sustainable value creation. In addition, dividend policy should be formulated carefully, considering its role in shaping market perception. For investors, these findings emphasize the importance of incorporating both financial or non-financial aspects in evaluating firm value.

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