Fundamental Analysis of Indonesian Banking Firms: Evaluating Corporate Value with CSR as a Moderating Variable

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Abstract: This research aims to investigate and empirically substantiate the effect of profitability, liquidity, and capital structure on firm value, with corporate social responsibility (CSR) acting as a moderating variable. Profitability is evaluated using the return on assets (ROA) ratio, liquidity is measured through the current ratio, and capital structure is represented by the debt-to-equity ratio (DER). Firm value is determined based on Tobin's Q, whereas CSR disclosure is examined following the GRI 4 standard, which comprises 91 disclosure indicators. The study relies on financial and annual reports from banking sector companies spanning the 2018–2023 period, with a research population consisting of 47 banking firms. Using a purposive sampling approach, a final sample of 10 companies was selected. The study employs panel data regression analysis, incorporating descriptive statistical analysis, regression model selection, model suitability testing, and hypothesis testing using E-Views 13. The results indicate that profitability and liquidity significantly impact firm value, whereas capital structure does not. Additionally, CSR disclosure is found to moderate the relationship between profitability and liquidity with firm value; however, it does not moderate the effect of capital structure on firm value.

Keywords: *Profitability, Liquidity, Capital Structure, Firm Value and CSR.*

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I. INTRODUCTION

As a banking institution, it contributes to the sustainability, growth, and stability of the country's economy (Naili & Lahrichi, 2022). Adam Smith (1776) in his work "The Wealth of Nations" (1776) argued that banks are important in providing capital for investment, which is the key to economic growth. Indonesia is not exempt from this regulation. According to Law No. 10 of 1998 on Banking, the banking sector covers all matters concerning banks, including institutional structures, financial activities, and the operational methods and procedures used in carrying out these functions. Almost all industrial sectors in the world are related to financial activities and require banking services. Because banking institutions are important to the country's economy, it is important for banking institutions to maintain profitability and efficiency (Partovi & Matousek, 2019).

A bank is a financial institution that gathers funds from the public through deposits and allocates them in the form of credit or other financial instruments to enhance societal well-being. This definition highlights that banks, in their operations, not only serve as intermediaries by collecting excess funds from those who have a surplus and distributing them to those in need but also contribute to improving people's quality of life (Diana et al., 2021). The current economy has created intense competition in the industry. This increasingly fierce competition has made every company, including banks, increasingly strive to improve their performance so that their goals can be achieved (Diana et al., 2021). This statement corresponds with the definition of a company under Law Number 8 of 1997, which describes a company as any business entity that conducts operations on a permanent and ongoing basis with the primary goal of generating profit. These businesses may be managed by individuals or organizations, whether legally recognized as entities or not, provided they are founded and headquartered within the jurisdiction of the Republic of Indonesia. Therefore, every company must be able to adjust to developments, as well as in the development of the business world which must be able to produce company value that can be seen favorably by stakeholders (Sitanggang & Chusnah, 2020).

A company's value significantly influences shareholder wealth, especially when stock prices appreciate. The higher the stock price, the greater the financial benefits shareholders receive. One way to enhance firm value is by increasing profit distribution, ensuring greater returns for investors. Ideally, these profits are reinvested into the company, strengthening its capital structure and supporting long-term expansion and development (Wahyuni et al., 2018).

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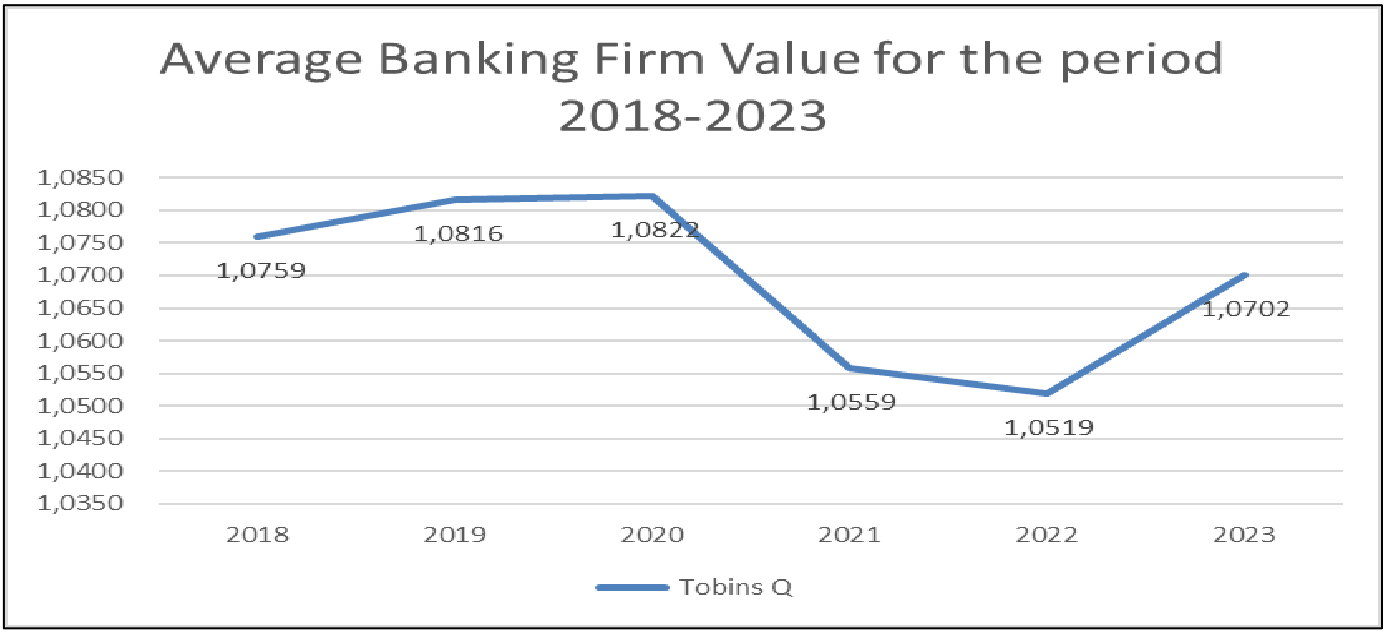

Fig 1 Average Banking Firm Value for the Period 2018-2023

Based on Figure 1, it can be observed that there is a problem with the value of companies in the banking sector from 2018 to 2023 which has decreased. In 2018 - 2020 there was an increase in the value of the company from 1.0759 in the 2018 period, 1.0816 in the 2019 period and the peak in 2020 increased to 1.0822. From Figure 1.1 it can be observed that there is a problem with the value of companies in the banking sector from 2018 to 2023 which has decreased. During the period from 2018 to 2020, there was a continuous increase in the company's value, starting at 1.0759 in 2018, climbing to 1.0816 in 2019, and peaking at 1.0822 in 2020. This upward trend in the value of firms within Indonesia's banking sector in 2020 was influenced by several key elements. One significant factor was macroeconomic conditions. According to research by Nasution et al. (2023), macroeconomic variables—such as inflation, interest rates, and economic growth—play a crucial role in determining bank profitability, which subsequently affects firm value. Furthermore, external aspects, including prevailing market conditions and investor perceptions, also played a role in driving this increase. However, in 2021 it decreased at a point of 1.0599 and at its lowest point in 2022, namely 1.0519. This is due to economic uncertainty and instability caused by the government implementing a health protocol system, namely lockdowns throughout Indonesia. So that investors hold back more to invest. In 2023 economic conditions have gradually begun to recover. This can be seen in the value of banking sector companies has also improved by 1.0702.

Investors expect to gain a share of the profits derived from the increasing value of wealth as a result of their financial contributions (Mudjijah et al., 2019). Corporate Social Responsibility (CSR) acts as a vital communication instrument that facilitates interaction between businesses and stakeholders, influencing key business decisions for both investors and company executives. CSR serves several essential purposes, including (1) promoting transparency to the public, (2) ensuring compliance with global standards, (3) reinforcing the company's dedication to sustainability, (4) delivering positive insights into corporate initiatives, and (5) guiding investors in making well-informed investment choices.

Fig 2 Average Corporate Social Responsibility (CSR) of Banking for the Period 2018-2023

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Based on Figure 2, there is an increase in reporting or publishing of corporate social responsibility (CSR) in 2018-2023. From 2018 to 2023, the reporting or issuance of corporate social responsibility (CSR) issued by banking sector companies has increased by 1.65. This is supported because of the regulations related to sustainable reporting contained in OJK Regulation No. 51 / PJOK.03 / 2017 (PJOK.03, 2017) and OJK Circular Letter No. 16 / SEOJK.04 / 2021. The issuance of this regulation supports the desire of stakeholders to obtain company sustainability reports due to the increasing need for information by global and domestic investors regarding disclosure of corporate social responsibility in the company's business so that it will increase Company Value (Yulistia M et al., 2023).

Banking financial performance can be seen through the level of ratios owned by the bank. Financial performance in the form of bank financial ratios will provide information to the government, investors and bank customers about the financial conditions that occurred during a certain period (Diana et al., 2021). This concept corresponds with Spence's (1973) signaling theory, which highlights a company's incentive to communicate financial report details to both internal and external entities. This necessity arises due to information asymmetry between management and external stakeholders. Financial ratios include liquidity, solvency, profitability, and activity metrics (Fathurrahman, 2022).

Kasmir (2019) defines profitability as a key financial metric that measures a company's ability to generate earnings over a given period. This ratio also reflects the efficiency of management in optimizing resources. When a company achieves substantial profits, it enhances investor income and confidence.

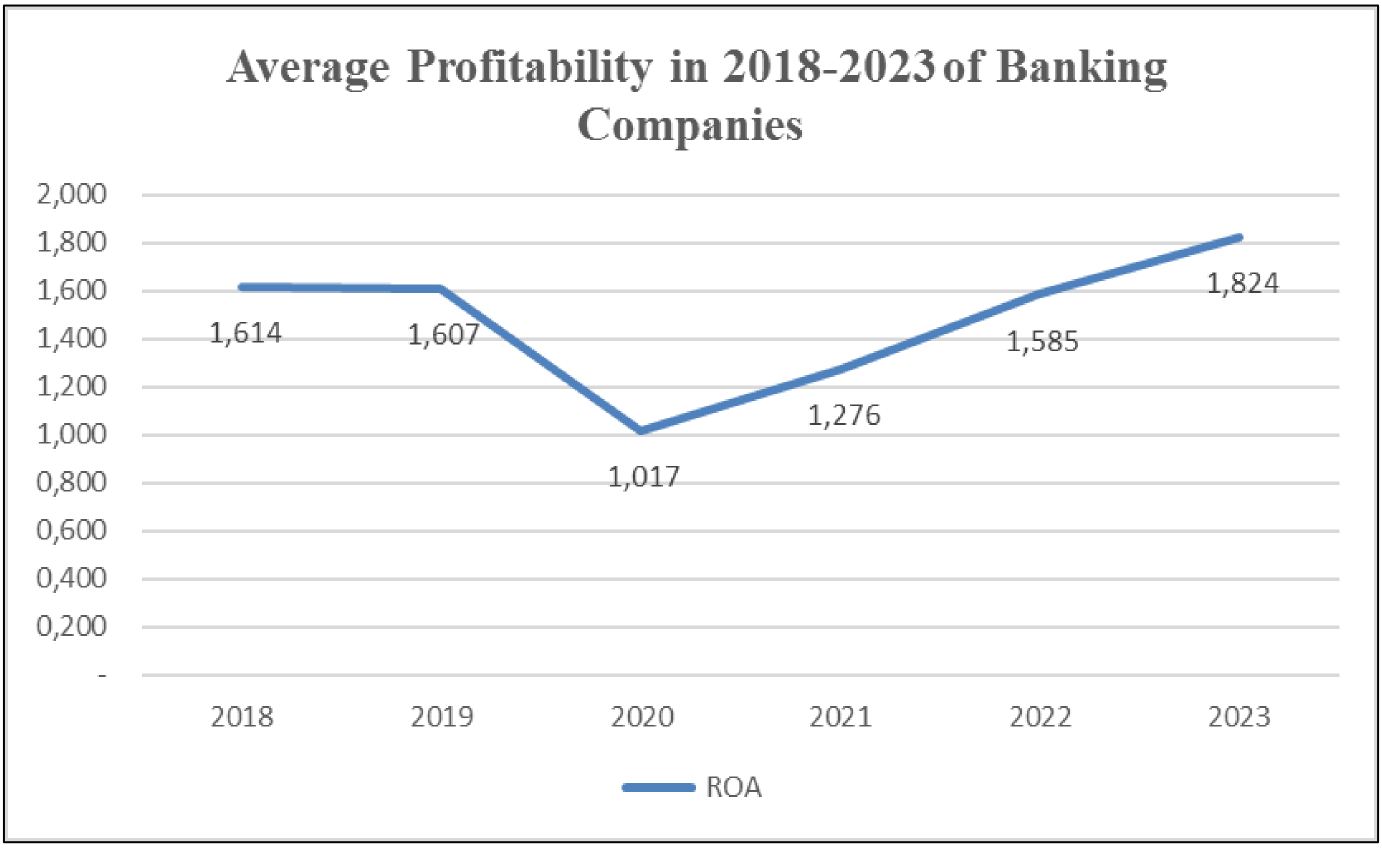

Fig 3 Average Profitability in 2018-2023 of Banking Companies

Based on Figure 3, profitability in banking companies for the period 2018-2023 has decreased in 2019 from 2018. In 2018, banking profitability was 1.61%, while in 2020 it decreased to 1.01%, which is based on Bank Indonesia Circular Letter No. 13/24 / DPNP dated October 25, 2011, profitability is said to be healthy if it is more than 1.5%, so in 2020 profitability can be said to be unhealthy with a value of 1.01%. There has been an increase to 1.27% in 2021. Banking performance has improved as indicated by the 2023 Profitability value exceeding the 2018 Profitability value.

Besides profitability ratios, liquidity ratios are essential in evaluating a company's financial health, particularly its ability to meet outstanding obligations. Liquidity reflects the accessibility of funds or liquid assets to cover existing debts, which may include short-term liabilities, long-term obligations, or other financial commitments. A higher liquidity level signifies the company's capacity to effectively handle current assets and promptly fulfill short-term debt obligations.

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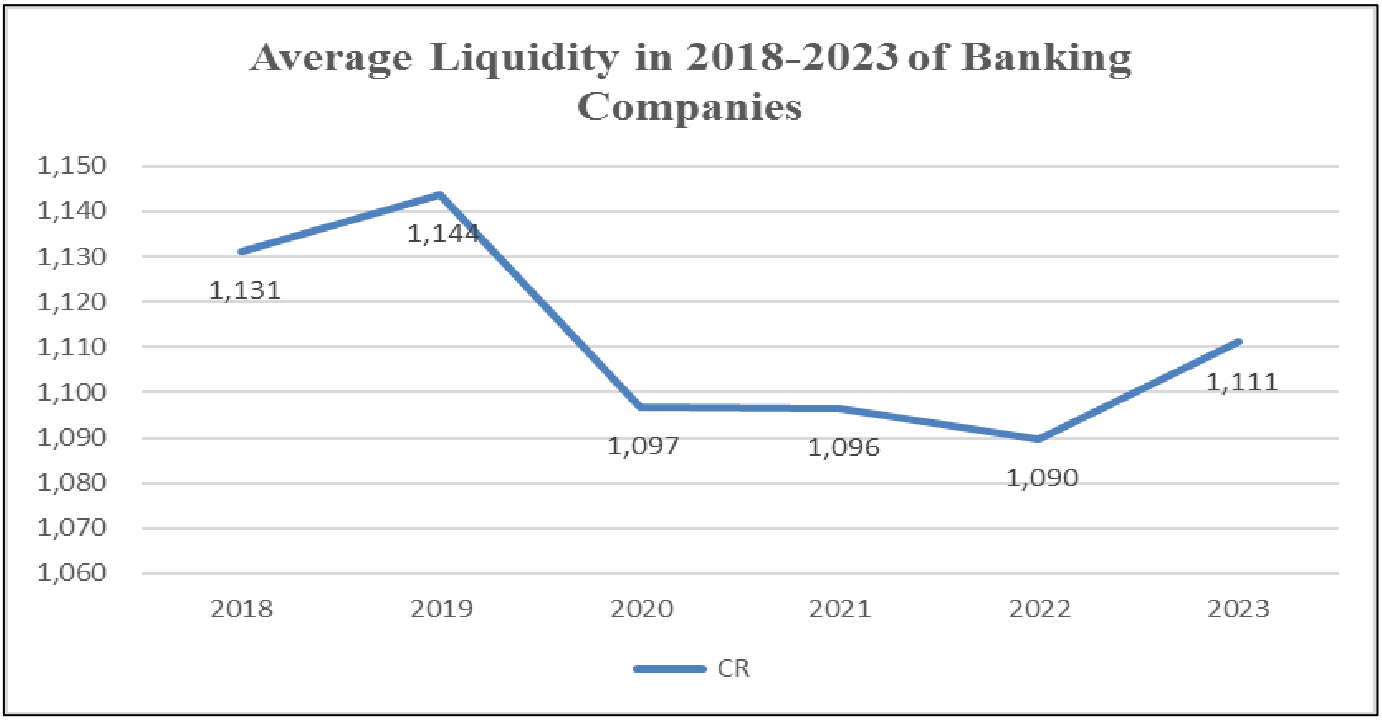

Fig 4 Average Liquidity in 2018-2023 of Banking Companies

Figure 4, illustrates that the liquidity of banking companies from 2018 to 2023 experienced fluctuations. In 2021, there was a rise in liquidity, reaching 1.09%, and it tended to remain stable through 2023. Based on Bank Indonesia regulations (SK DIR BI No.30/12/Kep/Dir and SE BI No.30/3/IPPB), the ideal Current Ratio falls within the range of 1% to 2.5%. A higher ratio signifies the company's enhanced capacity to meet, settle, and discharge its short-term financial liabilities.

In addition to profitability and liquidity metrics, the solvency ratio, which reflects a company's capital structure, measures the proportion of debt and equity utilized to fund its assets. A strategically managed capital structure strengthens financial stability and ensures long-term sustainability. Investors will conduct various analyses related to the decision to invest in the company. A company must have a policy regarding how to meet its funding needs. Determining the need for funds includes several considerations including, where the source of funds is obtained, internal sources of funds or external sources of funds. Improper debt utilization can push a company toward bankruptcy, making investors wary of businesses that rely heavily on debt. As a result, firms with substantial debt levels often see a decrease in their market value. This underscores the significance of capital structure in shaping a company's financial standing (Sofiani & Siregar, 2022).

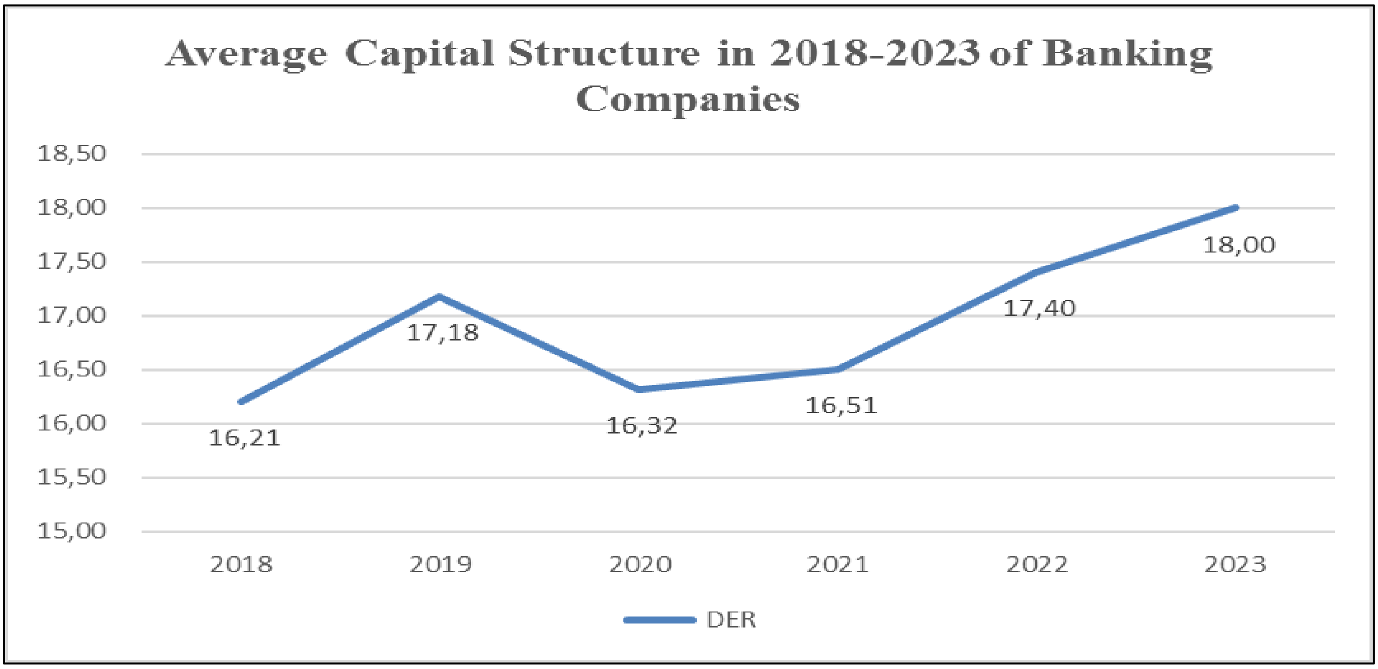

Fig 5 Average Capital Structure in 2018-2023 of Banking Companies

Based on Figure 5, the Capital Structure in 2018 amounted to 16.21%, and increased to 17.18% in 2019. In 2020, the Capital Structure decreased to 16.32% and tended to increase until 2023.

Profitability, liquidity and solvency ratios (capital structure) are considered to affect company value. CSR disclosure is also important to increase company value and meet the needs of stakeholders.

II. LITERATURE REVIEW

- *Signalling Theory*

According to Brigham and Houston (2019), signal theory explains how company management communicates important cues to investors about the firm's anticipated future performance. One of the primary methods involves sharing financial information, which serves to enhance investor confidence while minimizing uncertainties regarding the company's long-term outlook.

- *Legitimacy Theory*

According to legitimacy theory, businesses seek to align their operations with the social norms and ethical standards of the communities in which they function, ensuring compliance with societal expectations (Fauziah & Asyik, 2019). The application of legitimacy theory is reflected in corporate social responsibility disclosures, where companies are encouraged to contribute to societal and environmental well-being. By undertaking these initiatives, businesses can foster a positive public perception, gain societal approval, and reinforce their legitimacy. Ultimately, this effort supports the continuity and sustainability of corporate operations (Aldina et al., 2020).

- *Agency Theory*

Agency theory, as proposed by Jensen and Meckling (1976), explores the structured relationship between a principal who provides financial investment and operational resources and an agent, who is assigned the responsibility of directing and managing the company's activities. Within this framework, the principal delegates decision-making authority to the agent with the expectation that the agent will operate the business effectively while safeguarding the principal's interests. However, this relationship is often accompanied by the challenge of agency conflicts, where the agent's personal objectives may not always fully align with the principal's goals, necessitating governance mechanisms to ensure accountability and alignment of interests (Hariyanto, 2020).

- *Trade – Off Theory*

In 1963, Modigliani and Miller introduced the trade-off theory, which examines how companies balance borrowed capital and equity to optimize costs and benefits. This theory builds upon the Modigliani-Miller capital structure framework by incorporating bankruptcy and agency costs, illustrating the trade-off between tax savings gained from debt and the financial risks of insolvency. It clarifies the relationship between taxation, bankruptcy risk, and debt utilization, all influenced by corporate capital structure decisions. The theory underscores the equilibrium between the benefits and drawbacks of debt financing. Essentially, increasing debt can enhance a company's value, but only to a specific extent. Once this threshold is exceeded, additional debt may instead reduce firm value (Brigham & Houston, 2019).

- *Firm Value*

Nurain and Jufrizen (2020) emphasize that a company's value functions as a key measure of its market position, with a higher valuation indicating greater prosperity for shareholders. Investor perception significantly influences this value, as it is commonly associated with stock price fluctuations. A notable rise in stock prices not only elevates the company's worth but also strengthens stakeholder trust in its financial stability, operational efficiency, and long-term sustainability. This positive market response suggests that investors recognize the company's potential for continued growth and profitability, further reinforcing its credibility and competitive advantage (Suryanto, 2022).

- *Profitability*

According to Husain et al. (2020), profitability is a key financial metric that evaluates a company's earnings potential, represented as a percentage that falls within an acceptable threshold. According to Hery (2023) the factors that affect profitability, such as (1) Capital Aspects, in this aspect the existing capital is evaluated based on the company's capital reserve obligations, (2) Quality Aspects, the placement of company funds in assets that generate working capital circulation. Fast turnover of receivables and inventory generates revenue that the company uses to cover costs incurred, (3) Sales Aspects, is aspect assesses a company's ability to maximize profits and operate efficiently, as indicated by a steady improvement in profitability.

(4) Liquidity Aspects, a company is deemed financially stable if it can meet all its financial commitments on time, particularly regarding short-term and long-term liabilities. The profitability ratio functions as a key indicator in measuring a company's overall performance, focusing on its effectiveness in managing assets, obligations, and financial resources (Sugiono & Untung, 2016). Therefore, profitability is important and the basis for assessing the effectiveness of business management. (Suryanto, 2022).

- *Liquidity*

Liquidity represents the ease with which an asset can be converted into cash without causing significant fluctuations in its market price. The greater the liquidity of an asset, the more seamlessly a company can utilize it to meet immediate financial needs. Additionally, liquidity is a key indicator of a company's ability to settle its short-term liabilities. A widely used metric for assessing liquidity is the debt ratio, which reflects the proportion of a company's financial requirements met through borrowing (Brigham & Houston, 2019). As an essential aspect of financial evaluation, liquidity greatly influences a company's overall financial condition. Liquidity ratios serve as a valuable tool for investors, lenders, and company executives, enabling them to gauge the company's financial resilience and ability to fulfill its monetary obligations (Abdillah & Ali, 2024).

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➢ *Capital Structure*

As stated by Cashmere (2018), capital structure represents the arrangement of a company's long-term financial resources used to support its assets. This structure is formed through a combination of long-term debt and equity, which enables the company to sustain its business activities. A well-designed capital structure is one that maximizes shareholder value (Brigham & Houston, 2019). In essence, capital structure illustrates the financial distribution of a company, balancing funding sources between long-term debt and equity capital (Fahmi, 2020). Corporate financing is divided into two categories: internal and external sources. The capital structure integrates both forms of financing to maintain smooth operations. External funding generally includes short-term or long-term debt, while internal funding comes from retained earnings and equity contributions. The capital structure is often measured as the ratio of debt to equity and assets used for business expansion. A strategically formulated capital structure is expected to enhance the company's value from an investor's perspective (Abdillah & Ali, 2024).

➢ *Corporate Social Responsibility (CSR)*

Corporate Social Responsibility (CSR) refers to a company's voluntary commitment to incorporating social and environmental considerations into its business practices and stakeholder relations, surpassing the minimum legal obligations. It embodies a strategic approach aimed at promoting sustainable economic development while ensuring harmony between social, economic, and environmental factors. Additionally, CSR includes the disclosure of corporate social initiatives to highlight a company's dedication to both environmental stewardship and societal welfare. Beyond its ethical impact, CSR serves as a valuable tool for gaining investor confidence and securing financial support. As stated by Sukoharsono and Andayani (2021) in *Sustainability Accounting*, the principles of CSR reporting are fundamental in evaluating the overall quality and effectiveness of corporate social responsibility efforts include:

- Accuracy. This principle requires that all disclosed information be precise, comprehensive, and reliable, allowing stakeholders to accurately assess the company's overall performance.
- Balance. Reports should present a fair and unbiased view of the organization's performance, incorporating both strengths and weaknesses to support a well-rounded evaluation.
- Clarity. Information should be conveyed in a clear, straightforward, and easily accessible manner to ensure stakeholders can effectively interpret and utilize it.
- Comparability. For meaningful performance evaluation, stakeholders should be able to compare the organization's current social, economic, and environmental data with previous records. This guarantees consistency and reliability in long-term assessments.
- Reliability. the reporting organization must systematically collect, compile, record, and analyze data while ensuring transparency and accuracy in the reporting process. The methods and procedures used should be structured in a way that allows verification, guaranteeing that the reported information is not only credible but also meets essential quality and materiality criteria. By adhering to these principles, the organization enhances the trustworthiness of its reports, supporting informed decision-making and stakeholder confidence.
- Timeliness. It is essential for organizations to maintain a balance between timely information dissemination and ensuring its credibility, which also encompasses any necessary corrections to prior disclosures.

III. METHODOLOGY

This research adopts a causal-associative design within a quantitative framework. In terms of data structure, it utilizes panel data, which combines time series and cross-sectional elements, covering a six-year period from 2018 to 2023. Since moderation variables are included, the study applies inferential analysis to evaluate the influence of independent variables, employing Moderated Regression Analysis (MRA) for a more comprehensive assessment.

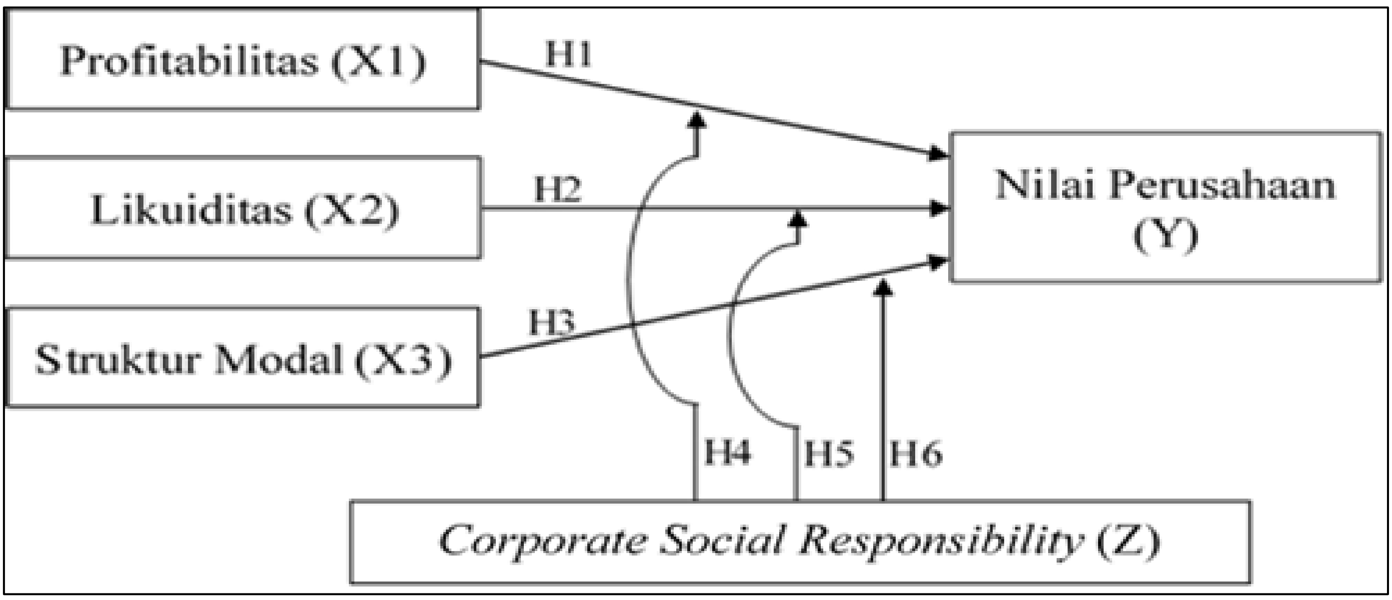

Fig 6 Framework of Thought

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➢ *The Analysis Model with the Moderated Regression Analysis (MRA) Method used in This Study is as Follows.:*

Tobin's Q = α + β1ROAit + β2CRit + β3DERit + β4ROAit*CSRIjit + β5CRit*CSRIjit + β6DERit*CSRIjit + ε

- Where:

✓ T obin's Q = Ratio to measure Firm Value
✓ α = Constant
✓ β1- β6 = Regression coefficient
✓ ROA = Ratio to measure profitability
✓ CR = Ratio to measure liquidity
✓ DER = Ratio to measure capital structure
✓ CSRIj = Corporate social responsibility of the company
✓ Ɛ = Error

IV. RESULTS AND DISCUSSION

The Chow and Hausman test results indicate that the probability values for both the cross-section F and cross-section chi-square tests in the Chow test are 0.000, which falls well below the 0.05 significance level. This strongly supports the conclusion that the fixed effect model is the most appropriate choice for panel data regression in this study. The LM test was deliberately omitted, as its primary purpose is to determine whether the random effect model or the common effect model is more suitable. However, since the Chow and Hausman tests have already confirmed that the fixed effect model is the optimal choice, conducting the LM test was deemed redundant. Therefore, based on these statistical justifications, this study employs the fixed effect model for panel data regression. The comprehensive results of this analysis are presented as follows:

Table 1 Hypothesis Testing Results Direct Effect

Ha	Relationship between Variables	Coefficient	T-statistic	Probability	Description
H.1	Profitability → Firm Value	- 0.1922	2.3528	0.0232 (< 0.05)	Negative, Significant
H.2	Liquidity → Firm Value	0.7286	4.2817	0.0001 (< 0.05)	Positive, Significant
H.3	Capital Structure → Firm Value	- 0.0151	1.3708	0.1774 (> 0.05)	Not Significant

Based on table 1 above, it can be described as follows:

➢ *Profitability on Firm Value*

Referring to Table 4.7, the Profitability variable demonstrates a t-statistic of 2.35, surpassing the critical threshold of 1.67, alongside a probability value of 0.02, which is well below the 0.05 significance level. These statistical results strongly suggest that Profitability has a notable influence on Firm Value among banking subsector companies listed on the Indonesia Stock Exchange during the period 2018–2023. This aligns with Bank Indonesia Circular Letter No. 13/24/DPNP, issued on October 25, 2011, which defines a Profitability level exceeding 1.5% as an indicator of financial stability and sound corporate performance. The implication of these findings highlights the importance of maintaining a strong Profitability ratio, as it plays a critical role in shaping investor confidence and corporate valuation within the banking sector. However, this study reveals that certain banks fall short of this benchmark, with profitability levels below 1.5%, including Bank Capital, which recorded an average ROA of 0.302%, and Bank Permata at 0.703%. Consequently, low Profitability exerts a negative impact on Firm Value.

Furthermore, as a company's net profit grows, its retained earnings also increase, leading to a decrease in the profit share distributed to shareholders. This limited distribution may cause investors to believe that the company is not fully committed to enhancing shareholder prosperity.

➢ *Liquidity on Company Value*

As presented in Table 4.7, the Liquidity variable demonstrates a t-statistic value of 4.28, surpassing the critical threshold of 1.67, and a probability value of 0.00, which is significantly lower than the 0.05 benchmark. These results confirm that Liquidity plays a crucial role in influencing Firm Value among banking subsector companies listed on the Indonesia Stock Exchange between 2018 and 2023. In accordance with Bank Indonesia regulations (SK DIR BI No.30/12/Kep/Dir and SE BI No.30/3/IPPB), the ideal liquidity range is between 1% and 2.5%. This study found that the average liquidity of banking companies stood at 1.1%, indicating a stable and well-maintained liquidity position. A higher liquidity ratio reflects a company's enhanced ability to meet and discharge its short-term financial commitments, ensuring operational sustainability. In the banking industry, maintaining sufficient liquidity is essential for fulfilling customer withdrawals, facilitating economic development, stabilizing balance sheets, and fostering public confidence. Therefore, an optimal liquidity level contributes positively to a company's valuation. In conclusion, a higher Liquidity ratio has a direct and significant impact on the Firm Value variable.

➢ *Capital Structure on Firm Value*

Referring to Table 4.7, the Capital Structure variable records a t-statistic of 1.37, which falls below the required t-value of 1.67, alongside a probability score of 0.17, exceeding the standard significance level of 0.05. These results indicate that Capital Structure does not have a statistically significant effect on Firm Value in banking subsector companies listed on the Indonesia Stock Exchange from 2018 to 2023. As stipulated by Bank Indonesia Regulation No. 14/18/PBI/2012, commercial banks must uphold a minimum Capital Adequacy Ratio (CAR) of 8% to mitigate insolvency risks and maintain financial resilience. While in this study it was found that banking sector companies had an average capital structure value of 16.93%. This can be said to be good because it exceeds the minimum standard regulations set by Bank Indonesia. In this study, the banking sector has more debt to finance its operations. According to the trade-off theory, utilizing debt can contribute to increasing a firm's value, but only up to a specific limit. Once this limit is surpassed, additional debt may lead to a decline in the company's worth. As a result, in

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an efficient market, variations in capital structure, whether high or low, do not have a substantial effect on firm value.

Additionally, a company's ability to manage its debt strategically plays a vital role in its financial stability. If debt is utilized efficiently, a high debt ratio does not always signify a financial threat. On the contrary, well-managed debt enables businesses to expand while safeguarding both profitability and solvency, alleviating investor concerns about financial risk.

Table 2 Hypothesis Testing Results Indirect Effect

Ha	Moderating Effect of Relationship Between Variables	T-statistic	Probability	Description
H.4	CSR moderates Profitability on Firm Value	2.8281	0.0070	Significant
H.5	CSR moderates Liquidity on Firm Value	0.0036	0.0004	Significant
H.6	CSR moderates Capital Structure on Firm Value	0.0002	0.1621	Not Significant

Based on table 2 above, it can be described as follows:

- *CSR in moderating Profitability on Firm Value*

Referring to Table 4.8, Corporate Social Responsibility (CSR) serves as a moderating factor in the relationship between profitability and firm value, with a t-statistic of 2.82, surpassing the critical value of 1.67, and a probability value of 0.00, which is well below the 0.05 significance threshold. These findings highlight the substantial impact of CSR in strengthening the link between profitability and firm value among banking firms listed on the Indonesia Stock Exchange during the 2018–2023 period. Companies that maintain strong profitability while actively engaging in CSR initiatives and transparently reporting their CSR activities tend to experience a notable increase in firm value. According to signaling theory, high profitability serves as a positive indicator for investors, prompting them to invest in the company. A firm with robust profitability is often regarded favorably by investors. Furthermore, when a company actively discloses its CSR initiatives, it reinforces investor confidence and strengthens the appeal of the company as an investment opportunity. Therefore, extensive CSR disclosure effectively enhances the moderating influence of profitability on firm value.

- *CSR in moderating Liquidity on Firm Value*

Referring to Table 2, the Corporate Social Responsibility (CSR) variable serves as a moderator for liquidity, showing a t-statistic of 3.85, which surpasses the critical t-table value of 1.67, and a probability of 0.00, which remains below the 0.05 threshold. These results indicate that CSR significantly influences firm value by moderating the impact of liquidity in banking subsector companies listed on the Indonesia Stock Exchange between 2018 and 2023. Companies with strong liquidity can efficiently meet short-term financial obligations, making them more appealing to investors. In the context of legitimacy theory, the relationship between CSR and firm value is examined through the liquidity perspective. Firms that uphold high corporate social responsibility standards while maintaining strong liquidity not only generate higher firm value but also reinforce investor confidence in their ability to sustain financial growth and stability. The findings of this study indicate that firms with minimal corporate social responsibility (CSR) engagement and high liquidity levels significantly impact their overall value. This, in turn, diminishes investor confidence, making them more reluctant to invest. Given that CSR serves as a key factor in earning investor trust and attracting investments (Lukman & Tanuwijaya, 2021), it can be concluded that insufficient CSR disclosure acts as a moderating factor in the relationship between liquidity and firm value.

- *CSR in moderating Capital Structure on Firm Value*

As presented in Table 2, Corporate Social Responsibility (CSR) functions as a moderating variable in the correlation between Capital Structure and Firm Value. However, its t-statistic value of 1.42 remains below the critical threshold of 1.67, while its probability value of 0.16 surpasses the commonly accepted significance level of 0.05. These findings suggest that CSR does not significantly influence the moderating effect of Capital Structure on Firm Value in banking subsector firms listed on the Indonesia Stock Exchange between 2018 and 2023. The disclosure of CSR initiatives has not effectively bolstered investor confidence. Furthermore, firms with high capital structures tend to limit their CSR disclosures, which can diminish investor trust and discourage capital inflows. As a result, the extent of CSR disclosure does not alter the impact of Capital Structure on Firm Value.

V. CONCLUSIONS AND SUGGESTIONS

- *Based on the results of data analysis and testing and then conducting discussions in this study, the conclusions that can be drawn from this study are:*

- Profitability exerts a negative and significant influence on firm value. A decline in profitability generates an unfavorable perception among investors, leading to decreased investment interest in the company. Consequently, this can undermine the firm’s financial standing and overall valuation.
- Liquidity has a positive and significant impact on firm value. A higher level of liquidity demonstrates the company's strong capability to meet its short-term financial obligations. This aspect is particularly crucial for firms operating in the banking sector, as maintaining high liquidity is essential for sustaining their financial health and operational efficiency.
- Capital structure has a negative and insignificant relationship with firm value. Changes in capital structure, whether increasing or decreasing, do not significantly affect the company's valuation. This phenomenon occurs because the company operates in an efficient market, where variations in capital structure do not play a decisive role in determining firm value.
- Corporate Social Responsibility (CSR) disclosure plays a crucial role in moderating the effect of profitability on

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firm value. A company with high profitability and well-executed CSR initiatives tends to experience an increase in firm value. This combination reflects sound financial management, reinforcing investor confidence and encouraging investment.

- The disclosure of Corporate Social Responsibility strengthens the relationship between liquidity and firm value. Transparent and responsible CSR practices, when aligned with strong liquidity, contribute to a higher company valuation. Based on legitimacy theory, firms that prioritize CSR are perceived as financially stable and trustworthy, making them more attractive to investors.
- Corporate Social Responsibility Disclosure is not able to moderate Capital Structure in influencing Firm Value. This suggests that CSR initiatives have not been able to strengthen the role of capital structure in shaping a company's value. A highly leveraged capital structure often forces companies to scale back their CSR activities. Consequently, reduced CSR disclosure can weaken investor trust, limiting its ability to influence firm value positively.

➢ *Based on the findings and discussions outlined in this study, the following recommendations can be suggested:*

- Banking sector companies must carefully monitor declining profitability and rising liquidity levels, as both factors significantly influence firm value. Failure to address these issues may create negative perceptions among investors, potentially discouraging investment. To enhance firm value, companies should strive to boost profitability while maintaining balanced liquidity by optimizing capital allocation and improving operational efficiency. This strategy will lead to higher profit margins, thereby increasing investor appeal. Additionally, this study highlights that corporate social responsibility (CSR) disclosure serves as a crucial moderating factor in the impact of profitability and liquidity on firm value. Therefore, banking institutions should place greater emphasis on CSR initiatives, as these efforts are essential in gaining investor trust and attention. The extent to which a company discloses CSR initiatives directly influences investor assessments and decision-making.
- Before making investment decisions, investors should carefully examine a company's financial and sustainability reports, as these documents offer the most recent insights into its financial health and operational stability. Essential factors to evaluate include profitability, liquidity, and corporate social responsibility (CSR), as CSR can serve as a moderating factor influencing both profitability and liquidity, ultimately affecting firm value. Moreover, prioritizing companies with strong financial performance evidenced by high profitability, robust liquidity, and well-implemented CSR initiatives—can help investors identify stable and sustainable investment opportunities.

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