



Factors influencing investor confidence and firm value

Actores que influyen en la confianza de los inversores y el valor de las empresas

Ahmad Roziq*, Eka Larasati Maghfiroh, Eza Gusti Anugerah,
Arnis Budi Susanto

University of Jember, Indonesia

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Abstract

This study examines the impact of corporate social responsibility (CSR), financial performance, environmental performance, dividend policy, and firm size on investor confidence and firm value. The research uses an explanatory approach to clarify the relationships between these independent and dependent variables through rigorous hypothesis testing. The study focuses on all manufacturing companies listed on the Indonesia Stock Exchange from 2017 to 2021, with a purposive sampling method selecting 20 companies for analysis. Data collection includes descriptive statistics, classical assumption tests, and path analysis. The results show that CSR, financial performance, and firm size significantly influence investor confidence, while environmental performance and dividend policy do not. Financial performance affects firm value, but CSR, environmental performance, dividend policy, firm size, and investor confidence do not significantly impact firm value. This research contributes new insights to academic and practical fields, highlighting that signals companies send through financial performance, CSR, and firm size can influence investor trust. However, financial factors have a greater impact on firm value than non-financial factors like CSR or environmental performance. Future research could explore factors such as organizational culture or industry differences that may explain why environmental performance and dividend policy do not significantly affect investor confidence or firm value, as well as the varying impact of CSR across different sectors.

* Corresponding author.

E-mail address: ahmadroziq.feb@unej.ac.id (A. Roziq).

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Resumen

Este estudio examina el impacto de la responsabilidad social corporativa (RSC), el desempeño financiero, el desempeño ambiental, la política de dividendos y el tamaño de la empresa en la confianza de los inversores y el valor de la empresa. La investigación utiliza un enfoque explicativo para aclarar las relaciones entre estas variables independientes y dependientes a través de rigurosas pruebas de hipótesis. El estudio se centra en todas las empresas manufactureras que cotizan en la Bolsa de Valores de Indonesia de 2017 a 2021, con un método de muestreo intencional seleccionando 20 empresas para el análisis. La recopilación de datos incluye estadística descriptiva, pruebas de supuestos clásicos y análisis de trayectoria. Los resultados muestran que la RSE, el desempeño financiero y el tamaño de la empresa influyen significativamente en la confianza de los inversores, mientras que el desempeño ambiental y la política de dividendos no lo hacen. El desempeño financiero afecta al valor de la empresa, pero la RSE, el desempeño ambiental, la política de dividendos, el tamaño de la empresa y la confianza de los inversores no lo impactan significativamente. Esta investigación aporta nuevos conocimientos a los campos académicos y prácticos, destacando que las señales que las empresas envían a través del desempeño financiero, la RSE y el tamaño de la empresa pueden influir en la confianza de los inversores. Sin embargo, los factores financieros tienen un mayor impacto en el valor de la empresa que los factores no financieros como la RSE o el desempeño ambiental. Las investigaciones futuras podrían explorar factores como la cultura organizacional o las diferencias entre industrias que pueden explicar por qué el desempeño ambiental y la política de dividendos no afectan significativamente la confianza de los inversores o el valor de la empresa, así como el impacto variable de la RSE en diferentes sectores.

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Palabras clave: responsabilidad social corporativa; desempeño ambiental; desempeño financiero; confianza del inversionista; valor de la empresa

Introduction

All individuals on Earth share a collective responsibility to contribute to environmental preservation, ensuring a sustainable and harmonious future for humanity. However, economic interests frequently take precedence over environmental conservation. This tendency likely happens in the corporate sector. Many companies prioritize profit maximization at the expense of ecological concerns, despite their reliance on natural resources for operational and financial gains. This disregard for environmental stewardship underscores a critical gap in corporate accountability (Zulianda, 2022).

When companies disregard environmental issues, numerous problems can arise, such as the degradation of coral reefs due to explosive fishing, air pollution from industrial activities, and forest fires caused by company actions. Firms must actively address these challenges as part of their environmental responsibility. One way to demonstrate this commitment is through Corporate Social Responsibility (CSR) activities (Zulianda, 2022). Companies that engage in CSR show a proactive approach to

environmental issues, contributing to strong environmental performance by recognizing the environment's critical role in sustaining their operations (Siregar et al., 2022). Consequently, environmental considerations are gaining increasing significance. On the other hand, companies that neglect the environment and fail to take responsibility for actions that cause environmental damage may face severe legal and societal consequences.

When firms prioritize environmental sustainability, they must strategically allocate financial resources to balance ecological commitments with stakeholder interests. Financial performance, as reflected in cash flow indicators (Hartati et al., 2022), plays a pivotal role in ensuring corporate sustainability. Effective financial management enhances profitability potential, which in turn influences dividend distribution capacity (Rahayu & Meilina, 2023). Dividend policy represents a critical strategic choice between profit distribution and earnings retention, with investor preferences typically favoring firms offering higher dividends. Notably, investors often associate larger firm size with greater future profitability prospects (Sakinah & Hendrani, 2022), making these dimensions crucial for corporate valuation and investment decisions.

However, research findings on these topics remain inconsistent. Meng and Zhang (2022) found that environmental performance does not significantly influence investor confidence, contrasting with Jacobs et al. (2010), who found that announcements of philanthropic gifts for environmental causes lead to a significant positive market reaction. Moreover, voluntary emission reductions are associated with a significant negative market reaction, while ISO 14001 certifications correspond to a positive market response. Similarly, Lumopa et al. (2023) found that dividend policy influences investor confidence, which contradicts Yao et al. (2020), who found that implementing a semi-mandatory dividend policy significantly boosts investor confidence. Tarjo et al. (2022) argued that corporate social responsibility (CSR) does not significantly affect firm value, whereas Qiu et al. (2021) concluded that CSR activities have a positive effect on firm value. Dewi et al. (2022) found that environmental performance does not significantly impact firm value. Yadav et al. (2015) found that the environmental impact score, measuring environmental damage from a firm's operations, is the most influential factor in enhancing firm value. Furthermore, Reschiwati (2020) concluded that profitability does not significantly affect firm value, whereas Mohammed and Al-Ani (2020) revealed that financial performance significantly influences firm value.

Building upon this theoretical foundation, this study investigates how corporate social responsibility (CSR), environmental performance, financial performance, dividend policy, and firm size collectively influence firm value, with investor confidence serving as an intervening variable. Investor confidence is emphasized due to its pivotal role in shaping investor behavior, as it reflects stakeholders' perceptions of a firm's performance and governance. According to Kandami et al. (2022), investor

confidence is built through transparent corporate practices and strong stakeholder engagement, which in turn motivates greater participation in stock market transactions. By examining these relationships, this research aims to elucidate the mechanisms through which corporate actions translate into market valuation.

This study selects manufacturing companies as the research sample due to their substantial contribution to waste generation, which can have significant environmental and societal impacts (Fitri & Haryati, 2022). Manufacturing firms produce waste as a byproduct of their operations, which involves converting raw materials into semi-finished or finished goods (Siregar & Kusumawardhani, 2023). The focus on manufacturing companies is driven by the potential environmental and societal harm that can result from improper management of waste.

The primary objective of this study is to investigate the influence of CSR, environmental performance, financial performance, dividend policy, and firm size on investor confidence. Additionally, the study explores the relationships among CSR, environmental performance, financial performance, dividend policy, firm size, investor confidence, and firm value.

This study extends the work of Resya et al. (2021) and Maghfiroh et al. (2023) by incorporating key methodological and contextual differences, including the selection of companies, observation period, variables, and analytical framework. Specifically, it investigates how corporate social responsibility (CSR), environmental performance, financial performance, and firm size collectively influence investor confidence and firm value, thereby offering a more comprehensive understanding of these dynamics. By addressing gaps in prior research, this study aims to advance theoretical and empirical insights into the determinants of corporate valuation and investor behavior.

The findings are expected to provide valuable insights for management decision-making, especially in shaping investor confidence and firm value. Additionally, this research is intended to serve as a reference for future studies exploring factors that influence investor confidence and firm value, particularly from a financial accounting perspective.

Literature review

Stakeholder theory

Stakeholder theory is divided into three interrelated perspectives that support one another: the descriptive perspective, which describes the firm and its stakeholders; the instrumental perspective, which provides insights into the relationship between the firm and its stakeholders; and the normative perspective, which

serves as the foundational basis of stakeholder theory. The normative perspective asserts that stakeholders' interests have intrinsic value that companies must address (Donaldson & Preston, 1995).

Signal theory

Spence (1973) proposed signaling theory, which posits that firms voluntarily disclose information to external stakeholders as a strategic means of conveying their value or quality. This disclosure serves as the initial step in enabling external parties to interpret the provided data and subsequently modify their decisions or actions based on the perceived signals.

Corporate social responsibility

Corporate social responsibility (CSR) goes beyond profit-seeking; it is an initiative by a firm to demonstrate its responsibility toward the environment and its concern for the surrounding community (Jao et al., 2023). CSR is measured using an index based on the 2013 G4 Global Reporting Initiative guidelines. The G4 standard includes 91 disclosure items, divided into nine indicators related to economic aspects, 34 to environmental elements, and 48 to social factors, with the latter grouped into four categories.

Environmental performance

Environmental performance reflects a firm's commitment to preserving, improving, and protecting the environment to promote sustainable living (Ramandi & Lestari, 2023). Environmental performance assessment is conducted using the Firm Performance Rating Assessment Program in Environmental Management (PROPER). The PROPER rating criteria assign a score of 5 for gold, 4 for green, 3 for blue, 2 for red, and 1 for black.

Financial performance

Financial performance analysis focuses on examining a company's financial aspects to assess its ability to manage finances accurately and by relevant regulations (Fahmi, 2018). This study uses Return on Shareholders' Investment (ROSI) to evaluate financial performance. ROSI, as a financial performance indicator, measures overall profitability and is closely linked to returns on shareholder investments (Subramanyan & Wild, 2013).

Dividend policy

A dividend policy refers to a firm's decision on allocating earned profits, determining whether they should be reinvested in the company or distributed to shareholders (Kurnia & Ariyani, 2021). The dividend policy is measured using the dividend payout ratio (DPR). A higher DPR indicates greater profits being distributed to shareholders, while a lower DPR suggests the opposite (Raspati & Welas, 2021).

Firm size

The size of a firm is determined by its equity, sales, and assets (Aprillia & Amanah, 2023). This metric is measured using the logarithm of the firm's assets. Larger assets indicate a more mature stage, suggesting positive cash flow and expected profitability over an extended period.

Investor confidence

Investor confidence is the essential capital for investors involved in stock trading (Kurniawati et al., 2023). Investors invest to maximize their returns; therefore, investor confidence is assessed using abnormal returns (Krisdiyanti et al., 2021; Ali et al., 2021).

Firm value

A firm's value reflects its overall performance, highlighting its strengths and weaknesses across various aspects perceived by stakeholders, including investors (Warandi & Sa'adah, 2020). Tobin's Q is used as a metric to quantify this value. A Tobin's Q value below one suggests that the firm is undervalued, while a value above one indicates overvaluation. A Tobin's Q value equal to one signifies a neutral standing, implying that the firm is neither overvalued nor undervalued.

Hypothesis development

The effect of corporate social responsibility on investor confidence

In addition to stakeholder theory, companies must consider the interests of their stakeholders, which leads to the implementation of corporate social responsibility (CSR). A firm's CSR engagement reflects

consistent financial performance and demonstrates its commitment to mitigating potential social conflicts arising from its business activities. This approach fosters investor confidence and signifies the firm's efforts to ensure business continuity by minimizing future social conflicts (Puspitasari et al., 2023). Susilo and Juniarti (2015) found that CSR, as measured by the Global Reporting Initiative (GRI) Index, positively affected investor response, as indicated by Cumulative Abnormal Return (CAR), among the 50 largest companies listed on the Indonesia Stock Exchange during the 2008-2012 period.

Hypothesis 1: Corporate social responsibility has a significant effect on investor confidence.

The effect of environmental performance on investor confidence

Signal theory suggests that investors react to the information provided by a firm, basing their responses on the nature of the information received. When investors are informed of good environmental performance, such as a high rating at a PROPER event, they perceive the firm as meeting commendable environmental standards, boosting their confidence in the company. Jacobs et al. (2010) found that announcements of philanthropic contributions to environmental causes are associated with a significantly positive market reaction, while voluntary emission reductions are linked to a significantly negative market response, and ISO 14001 certifications are correlated with a notably positive market reaction.

Hypothesis 2: Environmental performance has a significant effect on investor confidence.

The effect of financial performance on investor confidence

Financial performance is a critical aspect of a firm, and its economic health is often assessed based on this factor. A firm's financial performance also reflects its ability to manage finances effectively to maximize profits (Nilamsari et al., 2021). Companies with strong financial performance, characterized by healthy cash flow and the capacity to deliver maximum returns on capital, send positive signals that boost investor confidence (Savitri & Pinem, 2022). Farooq et al. (2021) further demonstrated that profitability significantly influences the magnitude of abnormal returns in response to COVID-19.

Hypothesis 3: Financial performance has a significant effect on investor confidence.

The effect of dividend policy on investor confidence

The extent of dividends distributed to investors reflects a firm's dividend policy, where shareholders share profits as a return on their investment (Wulandari & Nurhadi, 2023). Companies that adopt a dividend

policy, which distributes dividends to investors rather than retaining profits, send a positive signal to investors. Investors are generally more attracted to firms that can provide dividends, increasing their confidence in the company. Yao et al. (2020) found that implementing a semi-mandatory dividend policy significantly boosted investor confidence.

Hypothesis 4: Dividend policy has a significant effect on investor confidence.

The effect of firm size on investor confidence

Investors tend to focus on companies with substantial asset sizes, as these firms are generally perceived to be in stronger financial positions (Suyanto & Risqi, 2022). The better a firm's condition, the higher the level of investor confidence, as investors believe the company can effectively manage its business. As a result, they are more likely to entrust their funds as an investment. Resya et al. (2021) found that company size and growth positively impact abnormal stock returns, which serve as indicators of investor confidence (Ali et al., 2021). Farooq et al. (2021) also revealed that firm size influences the magnitude of abnormal returns in response to COVID-19.

Hypothesis 5: Firm size has a significant effect on investor confidence.

The effect of corporate social responsibility on firm value

Companies engaging in Corporate Social Responsibility (CSR) are committed to mitigating social and environmental conflicts, ultimately enhancing their positive image (Zulaika & Sihombing, 2020). This proactive approach contributes to the firm's sustainability and positively influences its overall value (Ramadhani & Riharjo, 2022). A study by Qiu et al. (2021) confirmed that CSR activities positively impact firm value.

Hypothesis 6: Corporate social responsibility has a significant effect on firm value.

The effect of environmental performance on firm value

The escalation of environmental concerns has prompted communities to demand more rigorous efforts from companies to protect and preserve the environment. A firm's commitment to environmental protection translates into commendable environmental performance, leading to favorable ratings on the PROPER index. The firm's achievements at the PROPER event serve as signals for investors when considering their investments. The greater the investor response to the firm's PROPER rating, the more

opportunities arise to enhance its value. A study by Jacobs et al. (2010) indicated that announcements of philanthropic contributions for environmental causes are associated with a significantly positive market reaction, while voluntary emission reductions are linked to a significantly negative market response. In contrast, ISO 14001 certifications are correlated with a significantly positive market reaction.

Hypothesis 7: Environmental performance has a significant effect on firm value.

The effect of financial performance on firm value

A solid financial performance is achieved when a firm can maximize its profits (Aminah & Pemuka, 2023). The higher the profits a firm generates, the greater its capacity to distribute dividends to investors. This attracts more investors interested in stock trading, indicating an increase in the firm's value (Yulianto & Widayari, 2020). Research by Mohammed and Al-Ani (2020) revealed that financial performance significantly influences firm value.

Hypothesis 8: Financial performance significantly affects firm value.

The effect of dividend policy on firm value

Companies with a dividend policy that distributes profits to shareholders are generally more attractive to investors than those that retain earnings. The ability to share profits with investors tends to generate greater interest from potential investors as they anticipate receiving dividends in the future. As the number of investors engaging in stock transactions increases, so does the demand for the firm's stocks, ultimately leading to a rise in stock prices. Consequently, the firm's overall value grows due to the increased stock prices. A study by Pratiwi et al. (2022) revealed that dividend policy significantly impacts firm value. Additionally, research conducted by Anton (2016) demonstrated that the dividend payout ratio positively influences firm value, even when accounting for other firm-specific variables.

Hypothesis 9: Dividend policy has a significant effect on firm value.

The effect of firm size on firm value

Investors tend to trade shares and expect higher dividends from larger companies than from smaller ones (Suyanto & Risqi, 2022). Khuong et al. (2023) research indicates that a firm's size influences its value. Additionally, studies by Anton (2016), Hirdinis (2019), and Reschiwati (2020) have all identified a significant negative correlation between firm size and firm value.

Hypothesis 10: Firm size has a significant effect on firm value.

The effect of investor confidence on firm value

Investor confidence in a firm is a crucial determinant for investment decisions. A higher volume of investors participating in share trading reflects strong confidence in the firm, which in turn leads to increased stock prices (Putra & Gantino, 2021). This rise in share prices corresponds with an increase in firm value, as a firm's value is reflected in its stock prices (Firmansyah & Hidayati, 2023). Vuong's (2022) research highlights the impact of investor confidence on firm value. Furthermore, the findings of Let et al. (2019) indicate that analyzing the role of investor confidence in the relationship between board characteristics and firm value reveals a significant influence of investor confidence on the connection between CEO duality and firm value.

Hypothesis 11: Investor confidence has a significant effect on firm value.

Research framework

Based on the relationship between these variables, the research hypothesis can be summarized, illustrating the influence of corporate social responsibility, environmental performance, dividend policy, and firm size on firm value through investor confidence, as shown in Figure 1.

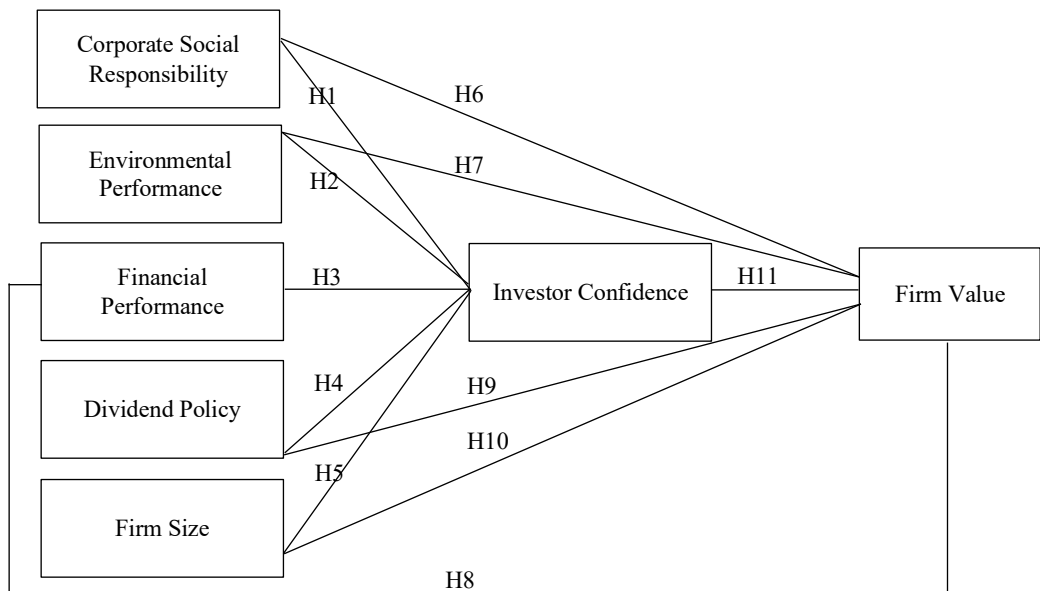


Figure 1. Research framework
Source: by authors

Methodology

This study employs an explanatory research design to investigate causal relationships between independent and dependent variables through systematic hypothesis testing. The quantitative analysis utilizes secondary data sources, including corporate annual reports for financial disclosures, the PROPER index for environmental performance metrics, and stock market data for valuation indicators.

The research population comprises all manufacturing companies listed on the Indonesia Stock Exchange from 2017 to 2021. The study employs purposive sampling, characterized by specific criteria, as shown in Table 1.

Table 1
Sampling Criteria

Information	Total
Firms that have remained listed on the Indonesia Stock Exchange throughout the specified period from 2017 to 2021	0
Firms without a PROPER event rating during the period from 2017 to 2021	101
Firms that did not distribute dividends during the period 2017-2021	18
Firms that did not issue annual reports during the period 2017-2021	3
Firms that do not use the Indonesian Rupiah currency	8
The total population that does not meet the criteria	130

Source: data processed by authors

Referring to Table 1, 20 firms meet the specified criteria, resulting in 100 observational data points for five years, as illustrated in Figure 2 below.

Table 2
Total Sample and Data

Information	Total
Total Population	150
Total Population Not Meeting the Criteria	130
Total Sample	20
Total data: 20 firms for 5 years	100

Source: data processed by authors

Data analysis methods

The data analysis process begins with descriptive statistics, which include the minimum, maximum, average, and standard deviation. The next stage involves classical assumption tests encompassing normality, multicollinearity, autocorrelation, and heteroscedasticity. Upon successful completion of these

tests, the subsequent step is hypothesis testing. The final phase, path analysis, examines the direct and indirect effects of the variables organized according to theory. The t-test partially tests the pre-prepared hypotheses, determining whether they should be accepted or rejected. Structural equations are developed based on the established regression model for path analysis. However, creating a structural equation requires the preliminary development of a path diagram to facilitate the formulation of the structural equation. The resulting structural equation model is as follows.

$$Z = \rho ZX_1 + \rho ZX_2 + \rho ZX_3 + \rho ZX_4 + \rho ZX_5 + e_1 \quad (1)$$

$$Y = \rho YX_1 + \rho YX_2 + \rho YX_3 + \rho YX_4 + \rho YX_5 + \rho YZ + e_2 \quad (2)$$

Information:

X_1 : Corporate social responsibility

X_2 : Environmental performance

X_3 : Financial performance

X_4 : Dividend policy

X_5 : Firm size

Z : Investor confidence

Y : Firm value

e : Error

ρ : Path coefficient

Results

Table 3 below provides the descriptive statistics for the seven variables examined in this study: corporate social responsibility (CSR), environmental performance (EP), financial performance (FP), dividend policy (DP), firm size (FS), investor confidence (IC), and firm value (FV).

Table 3
 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std.Deviation
CSR	100	.748859	.923156	.84364114	.041773629
EP	100	1.090508	1.222845	1.14932482	0.19844561
FP	100	.332730	3.154207	1.71300960	0.587505711
DP	100	.081351	2.786523	.72370295	.351271555
FS	100	3.415897	3.751283	3.59143260	.086469493
IC	100	.177843	.527124	.34071124	.074147901
FV	100	.908268	1.372836	1.07233084	.101354116
Valid N (listwise)	100				

Source: data processed from SPSS output

CSR has an average value of 0.84364114, indicating that the social responsibility of companies in the sample tends to be high. The standard deviation of 0.041773629 suggests that the variation in CSR values among companies is relatively low, meaning that most companies have nearly identical CSR scores. The CSR values range from a minimum of 0.748859 to a maximum of 0.923156, indicating that all companies in the sample demonstrate a relatively high level of CSR, with none being deficient.

The average environmental performance value is 1.14932482, indicating that most companies in the sample demonstrate relatively good environmental performance. The standard deviation is 0.19844561, suggesting moderate variation in environmental performance among the companies. The minimum and maximum values of environmental performance range from 1.090508 to 1.222845, indicating that nearly all companies exhibit good environmental performance.

The average financial performance value is 1.71300960, indicating that most companies exhibit relatively good financial performance. The standard deviation is 0.587505711, suggesting considerable variation in financial performance among the companies. The minimum and maximum values of financial performance range from 0.332730 to 3.154207, highlighting a significant difference between the companies with the lowest and highest financial performance.

The mean value of the dividend policy is 0.72370295, indicating that most companies tend to adopt a moderate dividend payout policy. The standard deviation is 0.351271555, suggesting significant variation in company dividend policies. The minimum and maximum values of the dividend policy range from 0.081351 to 2.786523, indicating that some companies pay very low dividends while others have considerably higher payouts.

The average firm size is 3.59143260, indicating that the companies in the sample are relatively large. The standard deviation is 0.086469493, suggesting low variation, meaning that most companies in the sample are similar in size. The minimum and maximum values of firm size range from 3.415897 to 3.751283, indicating that the sizes of the companies in the sample are fairly consistent.

The average value of investor confidence is 0.34071124, indicating a moderate level of trust in the companies. The standard deviation is 0.074147901, suggesting low variation, which implies that investor confidence among the companies is relatively consistent. The minimum and maximum values of investor confidence range from 0.177843 to 0.527124, indicating that while some companies demonstrate a fairly low level of investor trust, others exhibit a relatively high level.

The mean firm value is 1.07233084, indicating that most companies have relatively high valuations. The standard deviation is 0.101354116, suggesting moderate variation in these values. The minimum and maximum firm values range from 0.908268 to 1.372836, demonstrating diversity within the sample, with some firms showing lower values than others

This table presents an overview of the data distribution for the analyzed variables. The variation indicated by the standard deviation provides valuable insights into the dispersion of data for each variable. Overall, the companies in the sample demonstrate a commitment to corporate social responsibility and environmental performance, with greater variation observed in financial performance and dividend policy. Firm size tends to be consistent, while investor confidence and firm value show moderate variation.

Normality test

The normality test requires the data to be normally distributed based on specific criteria: a significance value greater than 0.05 (Widarjono, 2020). The normality test results, conducted using the Kolmogorov-Smirnov test, yielded a p-value of 0.534. Therefore, it can be concluded that the data follows a normal distribution.

Multicollinearity test

The multicollinearity test requires the absence of correlation among independent variables. The test criteria specify that the Variance Inflation Factor (VIF) should be less than 10, and the Tolerance value should be greater than 0.10 (Widarjono, 2020). The results of the multicollinearity test indicate that the VIF values do not exceed ten and that the Tolerance values are above 0.10. Therefore, it can be concluded that the data does not exhibit multicollinearity issues.

Autocorrelation test

The autocorrelation test has a requirement that there be no correlation between residuals from observations. The test criteria include the conditions $dL < dU < DW < 4 - dU < 4 - dL$ (Widarjono, 2020).

The results of the autocorrelation test, using Durbin Watson values, yielded results of $1.5496 < 1.8031 < 2.022 < 2.1969 < 2.4504$. Thus, it can be concluded that the data is free from autocorrelation issues.

Heteroscedasticity test

The heteroscedasticity test requires homogeneity in the spread of residuals, with the test criteria specifying a significance value greater than 0.05 (Widarjono, 2020). The results of the heteroscedasticity test, conducted using the Spearman Rho Correlation test, revealed a significance value exceeding 0.05. Therefore, it can be concluded that the data is free from heteroscedasticity issues.

Path analysis

Table 4 presents the results of the t-test conducted on the sub-structural model I, which includes the variables corporate social responsibility (X1), environmental performance (X2), financial performance (X3), dividend policy (X4), firm size (X5), and investor confidence (Z). The results can be interpreted as follows.

Table 4
 Path Analysis Test Results (Model 1)

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std Error	Beta		
(Constant)	.462	.324		1.425	.157
CSR (X1)	1.256	.420	.278	2.933	.004
EP(X2)	.077	.065	.103	1.178	.242
FP(X3)	.120	.043	.243	2.776	.007
DP(X4)	.046	.042	.099	1.098	.275
FS(X5)	1.096	.508	.210	2.158	.033

Source: data processed from SPSS output

The results of testing stakeholder theory (Model 1) are presented in Table 4. The test in Table 4 produces the following regression model equation:

$$IC = 0.462 + 1.256 \text{ CSR} + .077 \text{ EP} + 0.120 \text{ FP} + 0.046 \text{ DP} + 1.096 \text{ FS}$$

On the other hand, Table 4 demonstrates that corporate social responsibility, environmental performance, financial performance, dividend policy, and firm size have an impact and can boost investor

confidence. These results indicate that investor confidence, as explained by corporate social responsibility, environmental performance, financial performance, dividend policy, and firm size, is consistent with stakeholder theory

Table 5 displays the results of the t-test conducted on sub-structural model 2 involving the variables: corporate social responsibility (X1), environmental performance (X2), financial performance (X3), dividend policy (X4), firm size (X5), investor confidence (Z), and firm value (Y), as shown below.

Table 5
 Path Analysis Test Results (Model 2)

Model 2	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std Error	Beta		
(Constant)	.258	.151		1.708	.091
CSR (X1)	.247	.203	.132	1.316	.227
EP(X2)	.014	.030	.044	.446	.657
FP(X3)	.050	.021	.248	2.433	.017
DP(X4)	.026	.020	.118	1.163	.248
FS(X5)	.319	.240	.148	1.329	.187
IC(Z)	-.018	.048	-.045	-.388	.699

Source: data processed from SPSS output

The results of testing signaling theory (Model 2) are presented in Table 5. The test in Table 5 generates the following regression model equation:

$$FV = 0.258 + 0.247 \text{ CSR} + 0.014 \text{ EP} + 0.05 \text{ FP} + 0.026 \text{ DP} + 0.319 \text{ FS} - 0.018 \text{ IC}$$

On the other hand, Table 5 shows that corporate social responsibility, environmental performance, financial performance, dividend policy, and firm size have a positive impact and can increase firm value. In contrast, investor confidence has the opposite effect. These results indicate that investor confidence, as influenced by corporate social responsibility, environmental performance, financial performance, dividend policy, and firm size, is consistent with signaling theory.

The empirical research model consists of two parts based on the results of the statistical testing using SPSS, as shown in Tables 4 and 5. Model 1 examines the relationship between the influence of corporate social responsibility (X1), environmental performance (X2), financial performance (X3), dividend policy (X4), and firm size (X5) on investor confidence (Z). Model 2 explores the relationship between corporate social responsibility (X1), environmental performance (X2), financial performance (X3), dividend policy (X4), firm size (X5), and investor confidence (Z) on firm value (Y). These relationships are visualized in Figure 2 below.

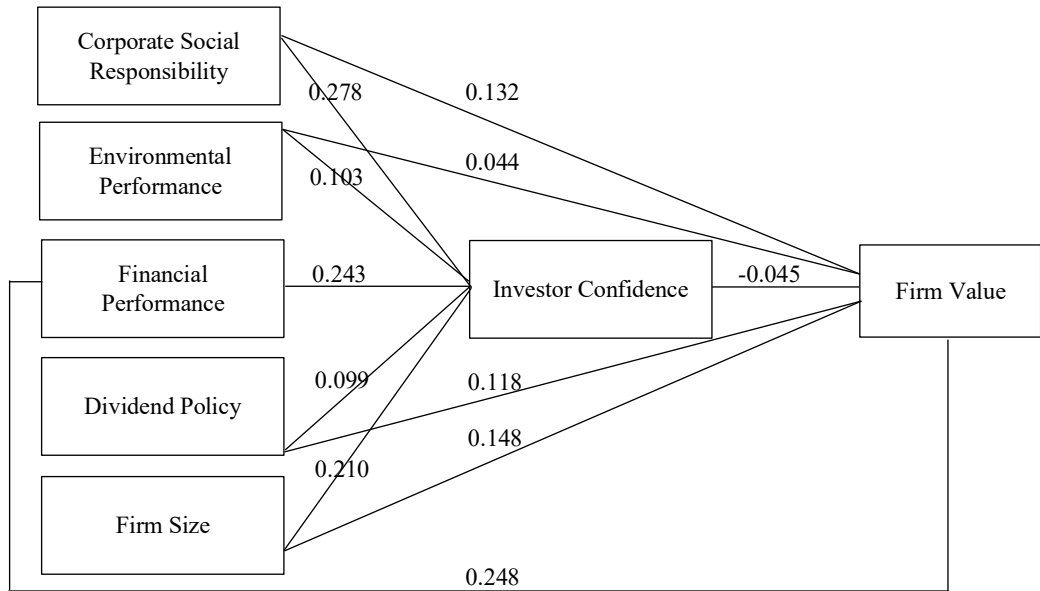


Figure 2. Path diagram
 Source: data processed from SPSS output

Discussion

The effect of corporate social responsibility on investor confidence

The results of hypothesis one (H1) testing are presented in Table 4, illustrating the impact of corporate social responsibility on investor confidence. The path analysis calculation yields a coefficient value of 0.278, with a significance value of 0.004, less than 0.05. This indicates that as the value of corporate social responsibility increases, there is a corresponding increase in investor confidence (H1 is accepted). These findings are consistent with stakeholder theory and align with the research conducted by Adriany et al. (2022). The study reveals that corporate social responsibility significantly influences investor confidence, as companies engaging in such practices demonstrate strong business sustainability, thereby reducing the likelihood of future social conflicts.

Corporate social responsibility serves as a means for companies to manifest their commitment to addressing the consequences of their operational activities. This commitment underscores the firm's proactive stance in mitigating potential issues that may arise from neglecting their responsibilities, ultimately fostering investor confidence and positioning the firm as an attractive destination for capital

allocation. Moreover, the results align with the research conducted by Susilo and Juniarti (2015), which found that Corporate Social Responsibility (CSR), as measured by the Global Reporting Initiative (GRI) Index, affected investor responses—proxied by Cumulative Abnormal Return (CAR)—among the 50 largest market capitalization companies listed on the Indonesia Stock Exchange during the 2008-2012 period.

The effect of environmental performance on investor confidence

The results of testing hypothesis two (H2) are presented in Table 4, indicating that environmental performance does not impact investor confidence. The path analysis calculations yield a coefficient value of 0.103, with a significance value of 0.242 greater than 0.05. This suggests that as the value of environmental performance increases, there is no significant change in investor confidence (H2 is rejected). These findings align with the conclusions drawn by Meng and Zhang (2022), indicating that environmental performance does not play a substantial role in shaping investor confidence.

While environmental performance reflects the firm's commitment to environmental considerations, it is important to recognize that strong environmental performance, despite signaling the firm's environmental consciousness, may not definitively assure investors of the profitability of their investments in stock transactions. These results diverge from a study conducted by Jacobs et al. (2010), which found that announcements of philanthropic gifts for environmental causes are associated with a significant positive market reaction, while voluntary emission reductions are linked to a significant negative market reaction. Additionally, ISO 14001 certifications are correlated with a significant positive market reaction.

The effect of financial performance on investor confidence

The results of testing hypothesis three (H3) are presented in Table 4, indicating that financial performance influences investor confidence. The path analysis calculations yield a coefficient value of 0.243 and a significance value of 0.007, less than 0.05. This suggests that as financial performance increases, there is a corresponding increase in investor confidence (H3 is accepted). These findings align with signal theory and are consistent with the research conducted by Nilamsari et al. (2021), which reveals that financial performance affects investor confidence. A stronger financial performance tends to attract investor confidence, increasing the overall level of investor trust in the firm.

The firm's financial health is assessed based on its financial performance, indicating whether it possesses adequate financial strength or raises suspicions. Financial performance is a crucial indicator that

every investor considers when evaluating a firm's fiscal well-being, and achieving good financial performance is undoubtedly a goal for both firms and investors. Additionally, the findings are consistent with the study by Farooq et al. (2021), which indicates that profitability influences the extent of abnormal returns in response to COVID-19.

The effect of dividend policy on investor confidence

The results of testing hypothesis four (H4) are presented in Table 4, indicating that dividend policy does not impact investor confidence. The path analysis calculations yield a coefficient value of 0.099 and a significance value of 0.275, greater than 0.05. This suggests that as the dividend policy value increases, there is no significant change in investor confidence (H4 is rejected).

These outcomes differ from the research conducted by Lumopa et al. (2023), which asserts that dividend policy does influence investor confidence. Additionally, these findings contrast with a study by Yao et al. (2020), which found that implementing a semi-mandatory dividend policy significantly enhances investor confidence.

The effect of firm size on investor confidence

The results of testing hypothesis five (H5) are presented in Table 4, revealing that firm size significantly impacts investor confidence. The path analysis calculations yield a coefficient value of 0.210, with a significance value of 0.033, less than 0.05. This indicates that as the firm's size increases, there is a corresponding increase in investor confidence (H5 is accepted).

These findings align with stakeholder theory and are consistent with the research conducted by Damayanti and Andayani (2022), suggesting that firm size influences investor confidence. As reflected in its assets, the firm's size implies that larger companies are presumed to have substantial holdings, contributing to the anticipated continuity of their business operations.

Additionally, this discovery aligns with the study conducted by Resya et al. (2021), which found that both company size and growth positively impact abnormal stock returns, gauging investor confidence (Ali et al., 2021). Furthermore, the findings are consistent with the study by Farooq et al. (2021), which revealed that firm size influences the magnitude of abnormal returns in response to COVID-19.

The effect of corporate social responsibility on firm value

The results of testing hypothesis six (H6) are presented in Table 5, indicating that corporate social responsibility (CSR) does not influence firm value. The path analysis calculations yield a coefficient value of 0.132, with a significance value of 0.227, greater than 0.05. This implies that as the CSR value increases, the firm's value does not change significantly (H6 is rejected).

These findings contrast with the results of research conducted by Masrurah and Makaryanawati (2020). However, they align with the conclusions presented in the study by Tarjo et al. (2022), which posits that CSR does not significantly impact firm value. This discrepancy may be attributed to investors predominantly engaging in daily stock trading activities and making decisions based on current news and dynamic stock charts. In contrast, CSR represents a long-term corporate strategy ensuring sustained business continuity. Consequently, investors involved in stock trading may not immediately perceive tangible benefits from CSR practices due to their focus on long-term impacts. These findings also contradict research conducted by Qiu et al. (2021), which concluded that CSR activities positively affect firm values.

The effect of environmental performance on firm value

The analysis of hypothesis seven (H7) outcomes is presented in Table 5, revealing that environmental performance does not significantly influence the firm's value. The path analysis computations yield a coefficient value of 0.044, with a significance value of 0.657, which exceeds the established threshold of 0.05. This indicates that variations in environmental performance are not correlated with changes in the firm's value, leading to the rejection of H7.

These findings diverge from those of Wahidahwati and Ardini (2021), who argue that environmental performance affects firm value. However, they align with the results of Dewi et al. (2022) research, which similarly concludes that environmental performance lacks a significant impact on firm value. Furthermore, the study by Yadav et al. (2015) found that the environmental impact score, which measures the environmental damage caused by a firm's operational activities, was the most influential factor in enhancing the firm's value.

The effect of financial performance on firm value

The results of testing hypothesis eight (H8) are displayed in Table 5, showing that financial performance significantly impacts firm value. The path analysis calculations yield a coefficient value of 0.248, with a

significance value of 0.017, less than 0.05. This indicates that as financial performance improves, there is a corresponding increase in firm value (H8 is accepted).

These findings align with signal theory and the conclusions of Saputra and Mildawati (2023), who assert that financial performance influences firm value. Effective management of a firm's financial performance leads to an improvement in its overall financial health. A robust financial performance signals the firm's ability to meet its obligations to investors, instilling greater confidence in its performance. As a result, investors are more inclined to invest in the firm's shares, increasing share demand. This heightened demand positively reflects on the firm's value, as it is mirrored in the share prices.

It is also worth noting that research conducted by Reschiwati (2020) concluded that profitability does not significantly affect company value. However, the current study supports the findings of Mohammed and Al-Ani (2020), which revealed that financial performance significantly influences firm value.

The effect of dividend policy on firm value

The analysis of the outcomes for hypothesis nine (H9) is presented in Table 5, indicating that dividend policy does not significantly impact firm value. The computations derived from the path analysis reveal a coefficient value of 0.118 and a significance value of 0.248, which exceeds the predetermined threshold of 0.05. This suggests that variations in dividend policy do not result in corresponding changes in firm value, leading to the rejection of H9.

These findings contradict the conclusions drawn in the research conducted by Pratiwi et al. (2022), who argue that dividend policy influences firm value. Additionally, these results contradict Anton's findings (2016), which indicated that the dividend payout ratio positively influences firm value after controlling for other firm-specific variables.

The effect of firm size on firm value

The analysis of the outcomes for hypothesis ten (H10) is presented in Table 5, revealing that firm size does not significantly impact its value. The path analysis computations yield a coefficient value of 0.148, with a significance value of 0.187, which exceeds the predetermined threshold of 0.05. This suggests that variations in firm size do not result in corresponding changes in its value, leading to the rejection of H10.

These findings contradict the conclusions drawn in the research conducted by Khuong et al. (2023), who argue that firm size influences its value. Additionally, studies by Anton (2016), Hirdinis (2019), and Reschiwati (2020) also found that firm size significantly negatively affects firm value.

The effect of investor confidence on firm value

The results of testing hypothesis eleven (H11) are presented in Table 5, indicating that investor confidence does not significantly impact firm value. The path analysis computations reveal a coefficient value of -0.045 with a significance value of 0.699, which exceeds the established threshold of 0.05. This suggests that fluctuations in investor confidence do not lead to corresponding changes in the firm's value, resulting in the rejection of H11.

These findings diverge from the conclusions drawn in Vuong's (2022) research, which argues that investor confidence influences firm value. Additionally, they contradict the findings of Let et al. (2019), who concluded that analyzing the role of investor confidence in the relationship between board characteristics and firm value indicates that investor confidence plays a significant role in the relationship between CEO duality and firm value.

Furthermore, the statistical results indicate that the investor confidence variable does not mediate the impact of corporate social responsibility, environmental performance, dividend policy, and firm size on firm value. The findings from the research above are summarized in Table 6 below.

Table 6
 Summarization of research results

Hypothesis	Statement of Hypothesis	Previous research	
		Significant	Not Significant
Hypothesis 1 (accepted)	The effect of corporate social responsibility on investor confidence	Susilo and Juniarti(2015) (supported)	
Hypothesis 2 (rejected)	The effect of environmental performance on investor confidence		Meng and Zhang (2022) (not supported)
Hypothesis 3 (accepted)	The effect of financial performance on investor confidence	Farooq et al. (2021) (supported)	
Hypothesis 4 (rejected)	The effect of dividend policy on investor confidence		Lumopa et al. (2023) (not supported)
Hypothesis 5 (accepted)	The effect of firm size on investor confidence	Ali et al. (2021), (supported)	
Hypothesis 6 (rejected)	The effect of corporate social responsibility on firm value	Qiu et al. (2021) (not supported)	

Hypothesis 7 (rejected)	The effect of environmental performance on firm value	Yadav et al. (2015) (not supported)
Hypothesis 8 (accepted)	The effect of financial performance on firm value	Mohammed and Al-Ani (2020) (supported)
Hypothesis 9 (rejected)	The effect of dividend policy on firm value	Anton (2016) (not supported)
Hypothesis 10 (rejected)	The effect of firm size on firm value	Khuong et al.(2023) (not supported)
Hypothesis 11 (rejected)	The effect of investor confidence on firm value	Vuong (2022) (not supported)

Source: data processed by authors

Conclusions

Corporate Social Responsibility (CSR), financial performance, and company size positively influence investor trust, indicating that investors tend to consider these factors when making investment decisions. Environmental performance and dividend policy do not significantly affect investor trust, suggesting that these variables are not primary concerns for investors within the context of this study. Only financial performance impacts company value, while CSR, environmental performance, dividend policy, company size, and investor trust do not significantly affect company value. Investor trust is sensitive to changes in CSR, financial performance, and company size, with such changes either increasing or decreasing investor trust. Company value is influenced by variations in financial performance, which may lead to either an increase or decrease in value depending on the direction of the changes.

Signaling theory suggests that the information companies convey to the market is intended to reduce information asymmetry between management and investors. In this study, positive signals such as strong financial performance, reported CSR activities and larger company size are well-received by investors, enhancing their trust. This suggests that investors respond favorably to these signals, as they clearly indicate the company's future prospects. However, signals related to environmental performance and dividend policy do not appear to impact investor confidence significantly. This may be because, in this context, investors place less emphasis on environmental factors or dividend distribution when making investment decisions or because the information provided by the company regarding these aspects is not substantial or relevant enough to be considered a valuable signal.

Stakeholder theory emphasizes meeting the needs of various stakeholders, not just shareholders. Corporate Social Responsibility (CSR), as part of efforts to address stakeholder interests, is found to influence investor trust, though it does not directly impact company value. This can be explained by the

fact that investors view CSR as a company's commitment to its broader stakeholder base, which enhances their trust in the company, even if it does not have a measurable effect on its value. The lack of impact from environmental performance on investor trust or company value suggests that environmental factors may not be a primary concern for most stakeholders or investors in this study, or they are not perceived as having a direct economic influence. Financial performance, which does affect company value, underscores that from a stakeholder perspective, financial factors remain the key priority in assessing a company's overall health and future prospects.

Overall, this study supports the idea that signals sent by companies through financial performance, CSR, and company size can influence investor trust. However, from a stakeholder perspective, financial elements have a greater impact on company value than non-financial elements such as CSR or environmental performance.

Limitations

Additional variables may influence investor confidence and firm value, such as ownership structure, risk management, innovation, and the quality of corporate governance. Therefore, the results of this study may not fully capture all relevant factors involved in investor decision-making and determining firm value.

Investor confidence is an abstract and complex concept that can be challenging to measure directly. In this study, specific indicators of investor confidence, such as stock trading volume, stock price changes, or investor perception surveys, may be utilized; however, these indicators only represent a portion of the overall dimensions of investor confidence. This limitation hinders capturing all psychological and emotional factors influencing investor confidence.

These limitations suggest that the study's results should be interpreted with caution, particularly in different contexts. Further research is needed to broaden the range of variables, extend the research period, and consider additional factors that may be relevant in determining investor confidence and firm value.

Implications

This study indicates that financial performance significantly impacts both investor confidence and company value. Therefore, management should prioritize strategies that improve financial performance, such as increasing revenue, optimizing operational efficiency, and employing effective risk management. Financial stability is crucial to gaining investor support and maintaining high company value. While CSR positively affects investor confidence, it does not directly influence company value. This suggests that

management should communicate and design CSR initiatives that align with investor concerns and interests. By doing so, CSR can send a stronger signal about the company's commitment to sustainable business practices and social responsibility, which are relevant to both stakeholders and investors. Company size positively influences investor confidence, often seen as a marker of stability and growth potential. Management should aim to sustain company growth through strategies such as expansion, mergers, or acquisitions to enhance investor perceptions of stability and potential investment opportunities.

Investors should emphasize evaluating a company's financial performance when making investment decisions, as this study shows that financial performance significantly affects company value. Financial indicators such as net profit, return on equity (ROE), and return on assets (ROA) should be key references for assessing a company's prospects. Investors who value CSR and company size can continue using these factors as long-term stability and growth potential indicators. However, they should recognize that CSR may not directly reflect the economic value and often functions more as a signal of reputation and social responsibility.

Policymakers can encourage companies to enhance transparency in both financial reporting and CSR disclosures. Clearer reporting on the impact of CSR on investor trust can help create a stronger framework for companies to communicate their social responsibility efforts, improving relationships with stakeholders and investors. Although this study finds that environmental performance does not significantly affect investor confidence, regulators can still strengthen environmental performance regulations by emphasizing long-term sustainability. As the global trend toward sustainable investing (ESG) grows, stricter environmental reporting requirements may attract greater investor attention.

Future research could explore why environmental performance and dividend policy do not significantly affect investor confidence or company value. Factors such as organizational culture or industry differences may provide further explanation for this finding. Future studies could also explore the varying impacts of CSR across different industries. In some sectors, CSR may have a more pronounced effect on company value or investor confidence than in others.

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