

The Influence of Financial Distress and CSR on Firm Value Moderated by the Audit Committee

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Abstract

Purpose: This study examines the influence of financial distress and Corporate Social Responsibility (CSR) on firm value, with the audit committee serving as a moderating variable.

Methodology/approach: The data consisting of 105 observations were processed using the STATA software. Based on the model selection criteria, the random effects model was determined to be the most appropriate estimation approach.

Results/findings: The results show that Financial Distress has a direct effect on Firm Value, whereas Corporate Social Responsibility does not have a direct impact on Firm Value. The Audit Committee is proven to significantly moderate the relationship between Financial Distress and Firm Value.

Limitations: This study focuses only on financial distress, Corporate Social Responsibility (CSR), and audit committees. In fact, in the context of determining company value, there are many other factors that also have a significant influence. The results of this study leave a wide gap for further research development.

Contributions: This study aims to emphasize the importance of the audit committee as a mechanism of corporate governance, particularly in mitigating the impact of financial distress on company value. This research also provides recommendations for companies to strengthen the function and effectiveness of the audit committee in maintaining firm value.

Conclusions: This study underscores the crucial role of the audit committee as a governance mechanism, specifically its effectiveness in mitigating the negative impact of financial distress on firm value. It recommends that companies enhance the functions and effectiveness of their audit committees to better maintain firm continuity and value.

Keywords: *Audit Committee, Corporate Social Responsibility (CSR), Financial Distress, Firm Value, Moderating Variable*

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1. Introduction

Company value is a crucial indicator of the success of a business entity, representing investors' perceptions of the company's performance (Mohklas, 2019). The main goal of corporate management is to maximize company value, considering its direct connection to increasing shareholder welfare. The market price of the stock is a component of shareholder wealth, comprehensively reflecting the cumulative impact based on the company's investment, financing, and asset management decisions (Rahayu & Sucipto, 2024). Price-to-Book Value (PBV) is often used as a measure to assess company value. The higher the PBV, the greater the valuation investors place on the company compared to the capital invested (Mohklas, 2019).

The Indonesia Stock Exchange Composite Index (IHSG), as a reflection of the Indonesian capital market, shows significant dynamics, with daily and weekly fluctuations being common characteristics. For example, on June 8, 2023, the IHSG closed at 6,666.33. This indicates positive sentiment on that

day, although stock market movements can vary from day to day ([Setyani, Wiyono, & Kusumawardhani, 2022](#)). This inherent dynamism underscores the nature of company valuation, which is often not predictable in real-time, making it a highly relevant field of study for identifying the factors that influence it.

Beyond daily fluctuations, the stock market is also influenced by recurring specific phenomena that can significantly affect company valuations. These phenomena include the "Santa Claus Rally," which is the tendency for stock prices to rise in the last week of December into early January, often associated with year-end bonuses and investor bullish optimism. For example, the Indonesia Stock Exchange (IDX) has shown positive gains 19 times in the past 20 years in December, with an average increase of 3.35%. Another phenomenon is the "January Effect," which is a stock market rally occurring in January, possibly caused by investors buying back stocks after "portfolio cleansing" in December. The IDX recorded increases six times in the past 10 years in January.

Conversely, "Black September" is a historical pattern of sharp stock price declines in September, coinciding with past financial crises or significant geopolitical events. The IDX has shown a decline in 70% of September over the past 10 years, with an average drop of -1.62%. This phenomenon does not always occur, illustrating how broader market sentiment and seasonal factors can collectively affect company valuations, creating periods of opportunity and risk for investors. Movements in company value influenced by the collective psychology of investors and external events, beyond financial fundamentals alone, indicate that market sentiment can create patterns that are predictable, albeit not guaranteed, in company valuations ([Aura & Efrianti, 2021](#)).

Based on the above review, although company value is consistently influenced by fundamental factors (profitability, capital structure), the relationship between financial distress and CSR with company value is not linear. The literature indicates a resource trade-off, the effectiveness of which is questionable, in which heavy financial pressure (financial distress) has the potential to reduce the positive impact of CSR investments on company value ([Platonova, Asutay, Dixon, & Mohammad, 2018](#)). Emerging research focuses on how internal governance mechanisms can fill this gap and ensure consistency in valuation. The argument is that under financial distress, companies may be forced to reduce or postpone CSR investments because the primary priority shifts to survival and financial recovery.

This can be seen as a trade-off between allocating resources for CSR and the urgent need to maintain liquidity and solvency. Another perspective suggests that companies that have built reputation capital through CSR before experiencing financial distress may be more resilient and have a better chance of recovery, as stakeholders are more likely to provide support or leniency ([Swarte, Lindrianasari, Prasetyo, Sudrajat, & Dharma, 2019](#)). Therefore, the influence of CSR on firm value in situations of financial distress appears to depend on the level of financial difficulty faced, the type of CSR activities, and stakeholders' perceptions of the company's commitment.

The argument for positioning the audit committee as a moderating variable is based on its crucial role in ensuring transparency and accountability in the implementation of CSR and the management of corporate finances. The audit committee is effective in optimizing the credibility of financial reports and CSR reports, thereby strengthening investors and other stakeholders' trust ([Fatmawati, 2025](#)). For example, an active and competent audit committee can identify and address potential discrepancies or misrepresentations in financial statements and CSR reports, thereby reducing the risk of financial distress and enhancing the company's value. The audit committee also serves as an independent overseer to ensure that CSR policies and practices are carried out in accordance with applicable standards, positively impacting the company's reputation and value ([Abdullah, 2024](#)). An effective audit committee also improves the efficiency of internal and external audit processes, supporting the company in risk management and enhancing long-term value.

The novelty of this study lies in testing the moderating effect of the audit committee in two crucial relationships: the audit committee's moderation of the relationship between financial distress and firm

value. Previous research has tended to focus on the role of the audit committee in mitigating earnings management during financial distress. There is a lack of studies that directly examine how the audit committee affects firm market valuation when facing financial difficulties. By examining this moderating role, this study aims to understand how a strong internal governance mechanism can explicitly mitigate the negative impact of financial distress on firm value. The audit committee's moderation of the relationship between CSR and firm value.

The literature on CSR and firm value, when considering governance mechanisms, often broadly refers to Good Corporate Governance (GCG) as a whole or focuses only on earnings quality ([Riyadh, Al Shmam, & Firdaus, 2022](#)). Diverse findings, particularly those showing the weakening effect of the audit committee on CSR earnings quality ([Heling and Lastanti \(2024\)](#)), highlight the critical need to investigate the specific moderating role of the audit committee in the relationship between CSR and firm value. Thus, this study is both empirical and theoretical, emphasizing the importance of the audit committee's role as a corporate governance mechanism capable of maintaining credibility in reporting amid the dilemmas of financial distress and CSR commitments, which ultimately strengthens investor confidence and moderates' fluctuations in firm value influenced by market sentiment (as reflected in the seasonal phenomenon of the IDX). This study outlines several important issues related to financial distress, CSR, and audit committees as well as how these three factors affect firm value. By identifying the relationships and interactions between these factors, this research contributes to clarifying how companies can manage financial crises, implement effective CSR programs, and strengthen corporate governance structures through audit committees.

2. Literature Review and Hypothesis Development

2.1 Literature Review

2.1.1 Signaling Theory

Signaling theory suggests that corporate management takes actions or provides information to inform investors about management's view of the company's potential and direction of development. The basis of this theory is information asymmetry between managers and investors, in which managers, as internal parties, have a deeper understanding of the company's condition and performance than external parties. Investors will react to these signals, both positively and negatively, which in turn affects investment decisions and stock prices ([Jao, Randa, Holly, & Laorens, 2024](#)). Positive signals, such as growing profits, indicate a company's good condition, whereas negative signals, such as declining profits, indicate a poor condition.

Financial distress sends a strong negative signal to investors ([Jao et al., 2024](#)). This signal indicates poor company prospects, high risk, and the company's inability to meet its obligations ([Adaria, Komalasari, Kusumawardani, & Andi, 2022](#)). Consequently, investors avoid companies in financial distress, which in turn leads to a decrease in stock prices and company value ([Ruchiatna, Midiastuty, & Suranta, 2020](#)). Effective CSR disclosure can serve as a positive signal to investors. It reflects the company's commitment to long-term sustainability, good reputation, and integrity in management, which can attract investors and optimize the company's value ([Jao et al., 2024](#)). The role of the audit committee has the potential to enhance the credibility of signals issued by the company. A strong audit committee ensures that the disclosed information (including about financial conditions or CSR initiatives) is accurate and reliable ([Ruchiatna et al., 2020](#)).

Thus, the audit committee can strengthen the impact of positive signals (for example, from CSR) or reduce the impact of negative signals (for example, from financial distress) by providing assurance to the market about the reliability of company information. The audit committee acts as a third-party assurance mechanism that enhances the credibility and trust in the signals sent by management ([Briem & Wald, 2018](#)). If a company is in financial distress, a strong audit committee can signal recovery efforts and transparent reporting, potentially mitigating negative impacts. If a company is involved in CSR, an effective audit committee can strengthen positive signals and make them more credible to investors. Therefore, the presence of a high-quality audit committee can reduce information asymmetry and increase investor confidence, thus influencing how the market interprets and reacts to other signals, such as financial health or social responsibility efforts.

2.1.2 Stakeholder Theory

In 1984, R. Edward Freeman introduced Stakeholder Theory and stated that a company does not operate solely for the interests of shareholders. Instead, a company needs to consider the interests of various stakeholders affected by the company's activities. The long-term success of a company depends greatly on how relationships with all these stakeholders are managed effectively ([Tandiawan, 2022](#)). The long-term success of a company greatly depends on how relationships with all these stakeholders are managed effectively ([Tandiawan, 2022](#)).

Stakeholder theory is highly relevant in explaining the relationship between Corporate Social Responsibility (CSR) and corporate value. Companies that implement the principles of stakeholder theory through CSR activities have the potential to enhance a positive image, improve reputation, and gain support and trust from stakeholders ([Afifah, Astuti, & Irawan, 2021](#)). Consistent CSR can create strong trust among the community and stakeholders, which in turn can enhance a company's reputation. A positive corporate image has the potential to attract investor interest and contribute to increasing a company's value ([Jao et al., 2024](#)). By meeting the needs and desires of stakeholders, a company can ensure the availability of the necessary resources and support for operations, which indirectly contributes to increasing its value.

Through stakeholder theory, CSR is viewed not merely as an expense but as a strategic investment in building strong relationships and social capital ([Hoi, Wu, & Zhang, 2018](#)). By addressing environmental and social issues, companies enhance their reputation, reduce regulatory risks, attract loyal customers, and motivate employees ([Tandiawan, 2022](#)). These non-financial benefits contribute to financial performance and company value by creating a business model oriented toward sustainability and long-term resilience. Therefore, the positive impact of CSR on company value is mediated by the quality of stakeholder relationships and improvements in reputation, risk management, and operational efficiency.

2.1.3 Agency Theory

Agency theory describes the relationship between one or more individuals (principals) who delegate work to another individual or organization (agent) to perform services on behalf of the principal, including the delegation of decision-making authority ([Damayanti, Atikah, & Lenap, 2023](#)). A conflict of interest arises when the goals of the principal (e.g., maximizing shareholder wealth) and the agent (e.g., maximizing the manager's personal welfare) differ ([Sheilla & Natsir, 2020](#)). This conflict can result in agency costs, including monitoring costs, bonding costs, and residual losses. To reduce tension between interests, it is important to have oversight mechanisms designed to align various interests.

Under conditions of financial distress, agency conflicts tend to increase. Managers (agents) may be tempted to make riskier or opportunistic decisions (for example, earnings management) to salvage their own positions, which can harm the principals (shareholders) and worsen company value ([Makhrus, 2013](#)). The Audit Committee serves as a crucial internal oversight system for minimizing agency problems and agency costs ([Septiana & Abdul Aris, 2023](#)). By overseeing financial reports, external audits, and internal control systems, the Audit Committee is expected to limit opportunistic management behavior and ensure that the decision-making process reflects shareholder interests ([Makhrus, 2013](#)). A strong Audit Committee is essential for maintaining company assets and ensuring that the company's value remains good ([Ruchiatna et al., 2020](#)). Thus, the Audit Committee is expected to moderate the relationship between financial distress and corporate values by ensuring transparency and accountability. The Audit Committee can reduce the negative impact of financial distress on company value.

The Audit Committee's oversight function (financial reporting, internal controls, and external audits) is crucial to ensure that management actions, especially during financial difficulties, are transparent and in line with shareholder interests ([Septiana & Abdul Aris, 2023](#)). By reducing information asymmetry and opportunistic behavior, a strong Audit Committee can mitigate the negative impact of financial distress on firm value by assuring investors of management accountability and recovery efforts. Therefore, the effectiveness of the Audit Committee in mitigating agency problems, particularly during

periods of financial stress, is crucial for maintaining investor confidence and stabilizing firm value (Makhrus, 2013).

2.1.4 Conceptual Framework and Relationships Between Variables

Table 1. Conceptual framework and relationships between variables

Connection	Hypothesis Direction	Supporting Theory	Conceptual Explanation
Financial Distress → Company Value	Negative →	Signaling Theory	Financial distress sends negative signals about poor prospects and high risks, causing investors to sell shares and lowering a company's value.
CSR → Company Value	Positive ↑	Stakeholder Theory	CSR is a strategic investment that builds reputation, attracts stakeholders, and creates goodwill, which ultimately increases company value.
Committee Audit Moderating (Financial Distress → Company Value)	Negative → (Weakened Negative Impact)	Agency Theory	A strong audit committee reduces agency conflicts in times of crisis by ensuring transparency, accountability, and reducing opportunistic behavior of managers, thereby mitigating the decline in firm value.
Committee Audit Moderating (CSR → Company Value)	Positive ↑ (Positive Impact Reinforced)	Signaling Theory	The Audit Committee functions as a thirdparty assurance mechanism to increase the credibility of positive signals from CSR disclosure, increase investor confidence, and strengthen its positive impact on Company Value

2.2 Hypothesis Development

2.2.1 The Effect of Financial Distress on Company Value

Based on signaling theory, financial distress sends a strong negative signal to the market and investors (Jao et al., 2024). This signal indicates poor company prospects, high risk, and the company's inability to meet its financial obligations (Purwaningsih & Aziza, 2019). When investors receive this negative signal, they tend to lose confidence in the company's future prospects. This results in a decline in investment interest, which further depresses stock prices and reduces the company's overall value (Adaria et al., 2022).

Previous research findings show that most studies support this negative relationship. Indicated a negative effect of financial distress on firm value, particularly during the COVID-19 pandemic (Adaria et al., 2022). Indicate a positive effect Damayanti et al. (2023), indicating an inconsistency in the effect of financial distress on firm value. Referring to the review of theories, previous research, and logical reasoning presented, H_1 is formulated as follows: Financial distress affects firm value.

2.2.2 The Influence of Corporate Social Responsibility on Company Value

Based on stakeholder theory, companies effectively implement CSR by creating positive relationships with various stakeholders, enhancing reputation, and gaining social legitimacy from the community (Afifah et al., 2021). Such a good reputation encourages investor interest because it represents the company's dedication to long-term sustainability and management with integrity (Tandiawan, 2022). According to signaling theory, transparent and comprehensive CSR disclosures send a positive signal to the market regarding the company's management quality, long-term prospects, and commitment to

ethical values. This positive signal ultimately builds investor confidence and drives company value growth ([Jao et al., 2024](#)).

Previous research results have shown significant inconsistencies. Several studies have found a significant positive influence, as reported by ([Jao et al., 2024](#)). In contrast, other studies have found a negative effect, such as [Gunawan and Paramitha \(2024\)](#), or even an insignificant one ([Gunawan & Paramitha, 2024](#)). This inconsistency provides a strong basis for retesting. Referring to the review of the theory, previous research, and the logical reasoning that has been put forward, H_2 in this study is formulated as: corporate social responsibility has an effect on company value.

2.2.3 The Role of the Audit Committee as a Moderator of the Effect of Financial Distress on Company Value

Based on agency theory, the audit committee acts as a crucial monitoring system to minimize conflicts of interest between managers (agents) and shareholders (principals) ([Makhrus, 2013](#)). In conditions of financial distress, the risk of opportunistic management behavior tends to increase, in which managers can potentially make decisions that deviate from shareholder interests to protect themselves. An optimal audit committee can mitigate this risk by ensuring the transparency of financial reports, overseeing internal controls, and limiting earnings management practices ([Supandi, Nikijuluw, & Astuti, 2022](#)). Thus, the audit committee has the potential to weaken negative signals originating from financial distress by providing assurance to investors that the company is being managed responsibly and that recovery efforts are being conducted transparently. This is expected to minimize the negative impact of financial distress on the company's value.

Previous research results regarding the moderating role of the audit committee in the relationship between financial distress and related variables (such as tax aggressiveness or financial reporting fraud) indicate that the audit committee cannot moderate this relationship ([Supandi et al., 2022](#)). These findings suggest that the audit committee's oversight role is not optimal in mitigating the impact of financial distress on certain aspects. However, there is no consistent direct evidence regarding the moderating role of the audit committee in the relationship between financial distress and firm value. This gap provides an important opportunity to test this hypothesis in detail ([Gusnardi, 2011](#)). Based on a review of theory, previous research, and logical reasoning, H_3 is formulated in this study as follows: The audit committee moderates the influence of financial distress on company value.

2.2.4 The Role of the Audit Committee as a Moderator of the Influence of Corporate Social Responsibility on Company Value

Based on signal theory and agency theory, the audit committee can optimize the credibility of information from the company, including CSR disclosures. A strong audit committee ensures that CSR practices and reporting are not merely 'greenwashing' but represent the company's genuine dedication to social and environmental responsibility. This is important to minimize information asymmetry between management and investors, thereby strengthening the positive signals sent by CSR to the market. With effective oversight, the audit committee can ensure that CSR initiatives truly align with stakeholder interests and the company's long-term goals, rather than being merely a management effort for image purposes. Validation has the potential to build investor confidence in the company's CSR commitments, thereby strengthening the positive impact of CSR on company value ([Supandi et al., 2022](#)).

Previous research conducted by [Gunawan and Paramitha \(2024\)](#) explicitly found that the audit committee cannot moderate the relationship between corporate social responsibility and firm value. Furthermore, the quality of the audit committee weakens the relationship between CSR and earnings quality. These contradictory findings, contrary to theoretical expectations, are crucial to reexamine in the context of firm value, given the crucial role of the audit committee in governance ([Puspaningrum & Indarti, 2021](#)). Based on a review of the theory, previous research, and logical reasoning that has been presented, Hypothesis 4 in this study is formulated as follows: H_4 The audit committee moderates the effect of corporate social responsibility on firm value.

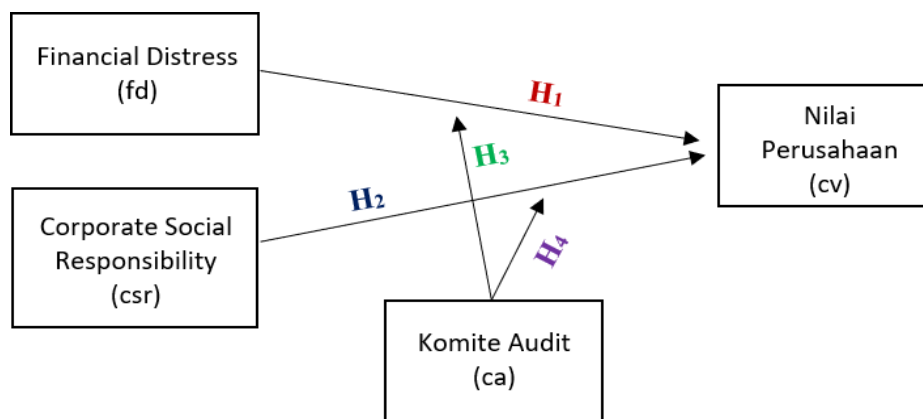


Figure 1. Thinking framework

The above framework of thought is in accordance with the title of this research, namely, "The Influence of Financial Distress and CSR on Firm Value Moderated by the Audit Committee." Variable (fd) is *Financial Distress*, variable (csr) is *Corporate Social Responsibility*, variable (cv) is *Company Value*, and moderation variable (ca) is the *Audit Committee*.

2.2.1 Summary of Research Hypothesis

Table 2. Summary of research hypothesis

Code	Hypothesis Statement	Theoretical Basis	Brief Explanation of Theoretical Basis
H_1	Financial distress negatively impacts company value.	<i>Signaling Theory</i>	Financial distress sends a strong negative signal to the market regarding a company's high risk and poor prospects, thereby lowering investor confidence.
H_2	<i>Corporate social responsibility</i> has a positive effect on company value.	<i>Stakeholder Theory, Signaling Theory</i>	CSR builds a positive reputation and good relationships with stakeholders and serves as a positive signal regarding management quality and long-term sustainability.
H_3	Audit Committee weakens the negative impact of financial distress on company value	<i>Agency Theory</i>	The audit committee acts as a monitoring mechanism to reduce agency conflicts and opportunistic management behavior, which tends to increase when a company experiences financial difficulties.
H_4	The Audit Committee strengthens the positive influence of corporate social responsibility on company value.	<i>Signaling Theory, Agency Theory</i>	The Audit Committee ensures the credibility and substance of CSR information (preventing greenwashing), thereby validating the positive signal in the eyes of investors.

3. Research Methodology

This study uses the 2021–2023 period for food and beverage companies listed on the Indonesian Stock Exchange (IDX) because this period represents the recovery phase following the COVID-19 pandemic, which has impacted corporate financial conditions and strategies. In 2021, there is still pressure on corporate performance, potentially increasing the risk of financial distress and impacting corporate value. Meanwhile, 2022 and 2023 reflect a stabilization phase, despite the challenges of inflation and rising production costs. From a signaling theory perspective, companies tend to increase their Corporate Social Responsibility (CSR) disclosures to build a positive image and gain investor trust. Based on agency theory, the existence of audit committees plays a crucial role in minimizing conflicts of interest and overseeing management performance. Therefore, the 2021–2023 period is considered the most relevant for examining the dynamics of the relationship between financial distress, CSR, audit

committees, and corporate value. 2020 was not used because of the extreme crisis phase, and 2024 was not included because of limited audited annual financial report data. The sample was selected according to the following provisions:

Table 3. Sample criteria

No	Information
1.	Registered on the IDX 2021-2023
2.	Present financial reports using the rupiah currency
3.	Have complete data regarding financial distress, CSR, company value, and audit committee
4.	Companies other than the financial sector
5.	Companies that are included in the food and beverage industry sector
6.	Publish annual reports and sustainability reports

Table 4. Sample selection

No	Information	Amount
1.	All companies on the IDX 2023	907
2.	The company that listed on the IDX 2021-2023 which is not from the food and beverage industry	(812)
3.	Companies that do not publish reports annual and sustainability reports during 2021 - 2023	(60)
Sample companies according to criteria		35
Observation Year		3
Observation		105

In this study, a quantitative approach using the path analysis method was used as the testing technique. Path analysis examines the relationship between the direct and moderating effects. Moderating effect testing is conducted through an interaction approach, namely, by forming interaction variables that include the moderating and independent variables ([Tambun & Sitorus, 2025](#)). Four main variables were used in this research model:

- 1) The dependent variable was firm value. Firm value is a crucial aspect of management's attention, as it reflects a company's success in creating economic value. Firm value is generally reflected in stock prices in the capital market, which reflects investors' expectations of the company's performance and long-term prospects. Tobin's Q is generally used as a measuring tool to calculate firm value. This ratio measures firm value by comparing the market value to the replacement value of assets, which include both tangible and intangible assets. This reflects the company's level of efficiency and effectiveness in optimizing all its resources. Tobin's Q is used to measure firm value.

$$Tobin's\ Q = \frac{(MVE+Debt)}{TA} \quad (1)$$

- 2) The first independent variable is financial distress. Financial distress refers to a company's key financial indicators, such as net profit, operating profit, and equity value, with negative numbers. This situation generally reflects serious financial difficulties and is the first step before a company faces bankruptcy or a liquidity crisis. The debt-to-equity ratio is used to measure the level of financial distress.

$$DER = \frac{Total\ Liability}{Total\ Equity} \quad (2)$$

- 3) The second independent variable is Corporate Social Responsibility (CSR). CSR refers to reporting activities related to a company's commitment to carrying out CSR towards the

environment, society, and other stakeholders. CSR measurement is based on the indicators listed in the GRI G4 guidelines, which consist of six main aspects with a total of 91 reporting indicators. This standard is designed to assess and report the economic, social, and environmental impacts of a company's activities to improve the quality of sustainability disclosure. Each indicator item is scored 1 if the company explicitly discloses related information in the annual or sustainability report; otherwise, a score of 0 is assigned. All scores are added to obtain the company's total CSR score. The maximum score is 1, which represents that the company has disclosed all CSR indicators in full in accordance with the GRI G4 standard.

$$CSR_{Dj} = \sum \frac{X_{ij}}{N_j} \quad (3)$$

- 4) The moderating variable was the audit committee. The audit committee plays an important role in providing professional views regarding internal controls, finance, and corporate accounting. The size of the audit committee was measured by calculating the number of members on the committee. The size of the audit committee was measured by calculating the number of members on the committee.

$$Audit\ Committee = Total\ Number\ of\ Audit\ Committee\ Members \quad (4)$$

Data processing was performed using Stata application software. STATA was chosen because of its robust capabilities in handling panel data and its reliability in estimating fixed-effects and random-effects models, which are widely used in empirical research in finance and accounting. The analysis procedure was carried out systematically through several stages, starting with a descriptive statistical analysis to determine data characteristics through minimum, maximum, mean, and standard deviation values. The next stage was selecting the best panel model among the Common Effect Model (CEM), Fixed-Effects Model (FEM), and Random-Effects Model (REM) using the Chow test, Hausman test, and Lagrange multiplier test to ensure the most appropriate model for use in the study ([Tambun & Sitorus, 2025](#)). Next, a classical assumption test was conducted, which included a multicollinearity test with the following criteria: $VIF < 10$ and $tolerance > 0.1$, an autocorrelation test using Durbin-Watson with values in the range of 1.5–2.5, and a heteroscedasticity test with a probability value greater than 0.05 ([Tambun & Sitorus, 2024](#)). Hypothesis testing was conducted using a two-tailed t-test with decision-making criteria of a t-statistic > 1.96 and p-value < 0.05 , indicating a statistically significant effect ([Lo, Rey-Martí, & Botella-Carrubi, 2020](#)). The next step was interpreting the regression equation to explain the direction and magnitude of each variable's influence, followed by an analysis of the coefficient of determination (R^2) to measure the ability of the independent variables to explain variations in company value.

4. Results and Discussion

4.1 Descriptive Statistics Analysis

Presents data overviews through minimum, maximum, mean, and standard deviation values. Referring to Table 1, the average Financial Distress (fd) is 0.636 with a standard deviation (Std. dev.) of 0.325, indicating a level of variation that is not too large because all companies experienced financial difficulties. The lowest value (minimum) was 0.065, and the highest value (maximum) was 1.616. Furthermore, for Corporate Social Responsibility (CSR), the average was approximately 1.115 with a standard deviation of approximately 1.129, indicating significant differences in the level of CSR implementation between companies. The lowest CSR value was 0.109, and the highest was 6.955.

Company Value (cv), the average of which is 0.304 with a standard deviation of 0.105, indicates that the company's value tends to be less spread out and more concentrated around the average, with a minimum value of 0.143 and a maximum of 0.659. Furthermore, the Audit Committee (ca), the average of which is 2.638 with a standard deviation of 0.761. The number of audit committees is unstable because, according to regulations, an audit committee is formed with a minimum of three members, consisting of independent commissioners and external parties; this discrepancy indicates that some

companies in the sample have not fully complied with OJK Regulation Number 55/POJK.04 / 2015.

Table 5. Descriptive statistics results

Variables	N	Mean	Std. dev.	Std. dev.	Min	Max
Financial Distress (fd)	105	0,6360952	0,3252644	0,3252644	0,065	1,616
Corporate Social Responsibility (csr)	105	1,114552	1,129564	1,129564	0,109	6,955
Company Value (cv)	105	0,3037619	0,1055449	0,1055449	0,143	0,659
Audit Committee (ca)	105	2,638095	0,7611202	0,7611202	2	5

4.2 Correlation Test

Table 6. Correlation test

Variables	cv	Fd	Csr	Ca
Cv	1,000			
Fd	0,4477	1,000		
Csr	0,0974	0,1827	1,000	
Ca	0,2108	-0,0776	-0,0308	1,000

Referring to Table 6, the correlation test results show that Firm Value (cv) has a moderate positive relationship with Financial Distress (fd) at 0.4477. This indicates a correlation between the level of financial distress and firm value. Meanwhile, the relationship between cv and Corporate Social Responsibility (CSR) is only 0.0974, and that between cv and the Audit Committee (ca) is 21.08 %. Both values indicate a very weak relationship, indicating that CSR and the number of audit committees have no significant correlation with firm value.

The CSR variable shows a very weak positive correlation with financial distress at 0.1827, indicating that a slightly higher level of CSR in a company tends to be associated with instability in financial conditions. Interestingly, CSR shows a negative relationship with the Audit Committee (ca) at -0.0308, meaning that the more audit committees there are, the slightly lower the CSR implementation, although the correlation is also very small. In addition, fd and ca also show a very weak negative correlation of -0.0776. Overall, the correlation results in this table indicate that most relationships between variables are very weak and do not show strong connections.

4.3 Model Selection Test

Table 7. Selection of the best model

Testing	Value	Prob	Conclusion
Chow Test	Rho	0,8928	Fixed Effect
Lagrange Multiplier Test	Prob > chi2	0,0000	Random Effect
Hausman Test	Prob > chi2	0,3499	Random Effect

Referring to Table 7 regarding the selection of the best model, three types of tests are applied to determine the appropriate panel data regression model: the Chow Test, Lagrange Multiplier (LM) Test, and Hausman Test. These three tests aim to help researchers choose between the three main models in panel data: Common Effect, Fixed Effect, and Random Effect. Selecting the right model is important so that the analysis results obtained can accurately represent the relationship between variables. Common effect with a fixed-effects model. The test results yielded a probability value of $0.8928 > 0.05$. Therefore, the fixed-effects model was considered more appropriate than the common effects model. However, these results were insufficient to determine the best overall model; therefore, additional testing was required.

The second test is the Lagrange Multiplier (LM) test, which compares the common effect model with the random effect model. The LM test results show a probability value of $0.000 < 0.05$. This indicates that the random effect model is more appropriate than the common effect model. Thus, these findings show that there are individual effects not captured by the common effect model; therefore, the common effect model is no longer considered. Next, the Hausman test was conducted to compare the fixed-effects model with the random-effects model. The findings show a probability value of $0.3499 > 0.05$. Thus, the conclusion obtained is that the random-effects model is more appropriate to use because there is no significant difference between the fixed-effects and random-effects estimates.

The basic assumptions in the random-effects model indicate individual effects that are not related to the independent variable and are thus considered fulfilled. Based on the three test results, the random effects model was selected as the model. This model is considered the most efficient because it can capture variability between individuals randomly and meets all statistical criteria, as proven by the Chow, LM, and Hausman tests. Thus, the random effects model is the basis for the further regression analysis.

4.4 Hypothesis Test (T Test)

Table 8. T Test

No.	Hipotesis	Coef	T	P-Values	Information
1.	fd → cv	-0,183192	-1,91	0,056	Rejected
2.	csr → cv	0,3265462	0,81	0,415	Rejected
3.	fd x ca → cv	0,1150041	2,63	0,009	Accepted
4.	csr x ca → cv	-0,1133498	-0,88	0,377	Rejected

The results of the first hypothesis prove that financial distress does not affect company value. This is evidenced by the p-value of $0.056 > 0.05$ and the t-statistic of $-1.91 < 1.96$. This means that the financial stress experienced by the company is not sufficiently strong to influence investor perceptions of the company's value. From a theoretical perspective, this finding is reinforced by signaling theory, which indicates that investors will avoid companies in financial distress, which in turn leads to a decline in stock prices and company value. This finding aligns with those of [Adaria et al. \(2022\)](#) and [Damayanti et al. \(2023\)](#), who suggest that financial distress has no effect on company value because of inconsistencies in company value.

The results of the second hypothesis indicate that corporate social responsibility has no effect on company value. This is evidenced by the p-value of $0.415 > 0.05$ and the t-statistic of $0.81 < 1.96$. This means that the implementation of corporate social responsibility in companies does not have the potential to increase company value. From a theoretical perspective, this finding is inconsistent with stakeholder theory, which states that companies are responsible to all stakeholders and fulfilling responsibilities that should contribute to a positive reputation and the long-term value of the company. This finding is not in line with the findings of [Jao et al. \(2024\)](#) and [Gunawan and Paramitha \(2024\)](#) who stated that the impact of corporate social responsibility on company value has an impact due to consistency with company value, but there are also findings that state that corporate social responsibility has no effect on company value.

The results of the third hypothesis prove that the audit committee has an impact on company value. This is evidenced by the p-value of $0.009 < 0.05$ and the t-statistic of $2.63 > 1.96$. This means that the existence of an audit committee in a company can provide a relevant contribution to the company. From a theoretical perspective, these findings support agency theory, which indicates that the audit committee, as a moderator, has a significant impact on the relationship between financial distress and firm value, thus mitigating the negative impact of firm value risk. This finding contradicts the findings [Supandi et al. \(2022\)](#), who indicate that the audit committee cannot moderate the relationship between financial distress and firm value.

The results of the fourth hypothesis prove that the p-value is $0.377 > 0.05$ and the t-statistic is $-0.88 < 1.96$, indicating that the audit committee cannot moderate the relationship between CSR and company

value. This means that the audit committee in the corporate governance structure does not contribute to strengthening the impact of CSR on company value. From a theoretical perspective, this finding is inconsistent with agency theory, which asserts that the audit committee is unable to moderate the relationship between CSR and company value. This finding is supported by the findings of [Gunawan and Paramitha \(2024\)](#), who show that the audit committee has a role in weakening the link between CSR and company value.

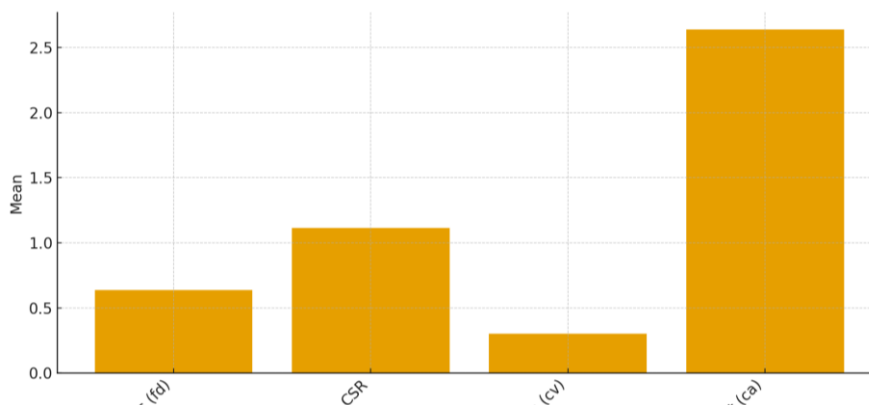


Figure 2. Graph of average research variables

The average (mean) graph for each variable shows that the Audit Committee (ca) has the highest value compared to other variables, namely 2.638. This indicates that, in general, the sample companies have a relatively large number of audit committee members, although there are still discrepancies with minimum regulations in some companies. Furthermore, corporate Social Responsibility (cSR) is in second place with a mean of 1.114, accompanied by a fairly high standard deviation, reflecting significant differences between companies in the disclosure and implementation of CSR programs.

Meanwhile, Financial Distress (fd) has an average of 0.636, which indicates that some companies are in a state of financial stress, but not at an extreme level. The variable with the lowest average value is firm value (cv), at 0.304, indicating that the value of the companies in the study sample is relatively low and not very variable. Overall, this graph reinforces the descriptive statistics finding that the most striking differences between companies lie in the level of CSR implementation and the number of audit committees, while firm value tends to be more stable.

4.5 Fit Test Model (F Test)

Table 9. F Test

Information	Results
Wald χ^2	19,95
Prob χ^2	0,0005

Referring to Table 9, which shows the results of the hypothesis test, the Wald χ^2 (4) value is 19.95 with a probability (Prob $> \chi^2$) of 0.0005. The F-test aims to test the significance of the regression model as a whole, in other words, to test whether the independent variables in the model contribute to the formation of the dependent variable. The χ^2 results are relatively low, and the probability values are very small, indicating that this model was not formed by chance. With a Wald Chi² (4) of 19.95%, it can be concluded that this model is statistically significant at a confidence level of less than 5%. This means that other variables, namely, financial distress and corporate social responsibility, have the ability to explain the company's value, as well as the moderating impact of the audit committee at 19.95%, while the remaining 80.05% is caused by external variables that have not been covered by this test.

5. Conclusions

5.1 Conclusion

This important finding examines the influence of financial distress and corporate social responsibility on firm value with the audit committee as a moderating variable. It indicates that neither financial

distress nor corporate social responsibility has a substantial impact on firm value. However, a significant finding suggests that the audit committee importantly moderates the effect of financial distress on firm value. This finding underscores the importance of corporate governance mechanisms in mitigating the impact of poor financial conditions and provides theoretical contributions to strengthening agency and governance theories, as well as practical contributions for companies in enhancing the effectiveness of the audit committee's role as a strategic oversight tool.

5.2 Research Limitations

This study focuses only on financial distress, Corporate Social Responsibility (CSR), and audit committees in examining their effects on firm value. However, firm value is influenced by many other internal and external factors that are not included in this study, which may limit the completeness of the findings. Therefore, the results still leave opportunities for further research to include additional variables and broader perspectives to obtain more comprehensive and generalizable conclusions.

5.3 Suggestions and Directions for Future Research

The results of this study contribute to the development of signaling and agency theories, showing that financial distress and CSR disclosure do not have a direct impact on firm value, indicating that not all information regarding financial conditions or social responsibility is considered a primary signal by investors. However, the role of the audit committee in moderating the relationship between financial distress and firm value underscores the importance of corporate governance mechanisms in reducing information asymmetry and conflicts of interest, as well as influencing how the market responds to a company's financial condition.

Practically, these findings indicate that companies need to strengthen the role, independence, and competence of the audit committee to maintain investor confidence, especially when facing financial distress. For investors, this study emphasizes the importance of considering corporate governance aspects, not only financial conditions and CSR, in assessing the company's value, whereas for regulators, these findings can serve as a basis for promoting the strengthening of internal oversight functions to enhance the quality of corporate transparency and governance.

Author Contributions

WPD was responsible for conceptualization, study design, data collection, data analysis, and drafting the initial manuscript. RRP contributed to the analysis and interpretation of the data, manuscript review and revision, and provided supervision throughout the research process. Both authors reviewed the final version of the manuscript and approved it for publication.

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