

Analysis of the Influence of Accounting Information on Stock Price with the Extent of Corporate Social Responsibility Disclosures as a Moderation

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Abstract

Corporate social responsibility (CSR) is a new dimension because "it opens new work spaces for the accounting discipline and articulates it with transparency, ethics, and the social responsibility of the company towards society as a whole." In this sense, it allows companies to receive only benefits, in social, economic and environmental matters, allowing, through what is reflected in the financial statements, to comply with what is established by the Micro, Small and Medium Enterprises Development Act, 2006 determined by the Ministry of Finance, India, in which it specifies the incentives for MSMEs that are covered by the provisions that it indicates, these being the following incentives: Additional scores in public tenders, Access facilities to credits greater than a certain amount, Access to micro and small business development programs, Promotion of Technological Innovation, and Others that are incorporated in the future by the National Government. In this way, the present study explores compliance with standards, principles, and procedures that regulate the financial, accounting, and tax structure and operation of the company represented by NDR Auto Components Ltd, guiding management to counteract the tax obligations covered by the law. This is why it is intended to argue and document the importance and advances of corporate social responsibility on accounting information, in the use of IFRS, in terms of the management of this new legislation, those that refer to taxes.

Keywords: CSR, MSME, Stock Price, Analysing of Accounting Information

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1. Introduction and Background

The academy, it is necessary to develop initiatives that allow the formulation of proposals to seek theoretical and practical solutions that contribute to the development and progress of the educational, economic, social and political sectors, through research, promoting integration. with other sectors of socioeconomic activity at the national, regional and international level. Francis and Schipper (1999) state that the value relevance construct can be interpreted in four ways, while Lev and Zarowin (1999) state that it describes the usefulness of financial report information for market players in relation to all information used by market players in the capital market. The first theory holds that the information contained in financial reports has an effect on stock prices due to the fact that it contains the intrinsic worth of shares. According to the second view, financial data is valuable if it includes variables that can be included in valuation models or utilised to make predictions about these variables. According to the third and fourth value relevance interpretations, the statistical correlation between financial data and price or return values is clear. The third view holds that value relevance is determined by the "news" of relevant information that drives stock price changes as investors reevaluate their expectations in light of its existence. The fourth view holds that value relevance is determined by the capacity of financial statement information to capture or summarise different kinds of information. Data that affects stock price, or value relevance, plays a significant part in data utilisation, as relevance is the main attribute that renders accounting data valuable for decision making. Profit, book value, and cash flow are three key components of financial reports that are frequently utilised to get insight into a company's performance.

The level of transparency is a determinant of the accuracy of financial statements. Disclosure, including CSR (corporate social responsibility) disclosure, can be either mandated or voluntary. A feeling of public approval of the company's presence can be achieved by constant long-term implementation of CSR. The corporation in question may reap economic gains as a result of these kinds of circumstances. Firm value and earnings growth are two measures of the monetary rewards of a company's operations. Achda (2006) asserts that domestic and international admiration for CSR-implementing enterprises rises in tandem with the implementation of CSR. Hence, corporate social responsibility (CSR) initiatives should not be seen as an expense but as an investment with a potential return.

1.2 Statement of the Problem

The analysis of accounting information gives the great relevance that Corporate Social Responsibility has achieved from now on CSR, currently with the changes that globalization has brought due to the way in which organizations contribute to humanity, " has ceased to be a simple concept but has become a commitment and a form of management that every company, regardless of its size, must be able to understand and manage in its daily work"; because from financial information, it becomes an appropriate tool to considerably correct the shortcomings in the production models of a company, combining the principles of efficiency, sustainability and well-being, which includes, as stated by Reyes and Leal (2019), the importance that deserves to be different from the competition, with equity of convenience, respect and tolerance etc.

1.3 Research Conceptual Framework

The research conceptual framework regarding the relevance of profit value, book value, and cash flow components to share prices as well as the moderating effect of CSR on profits and book value can be described as follows:

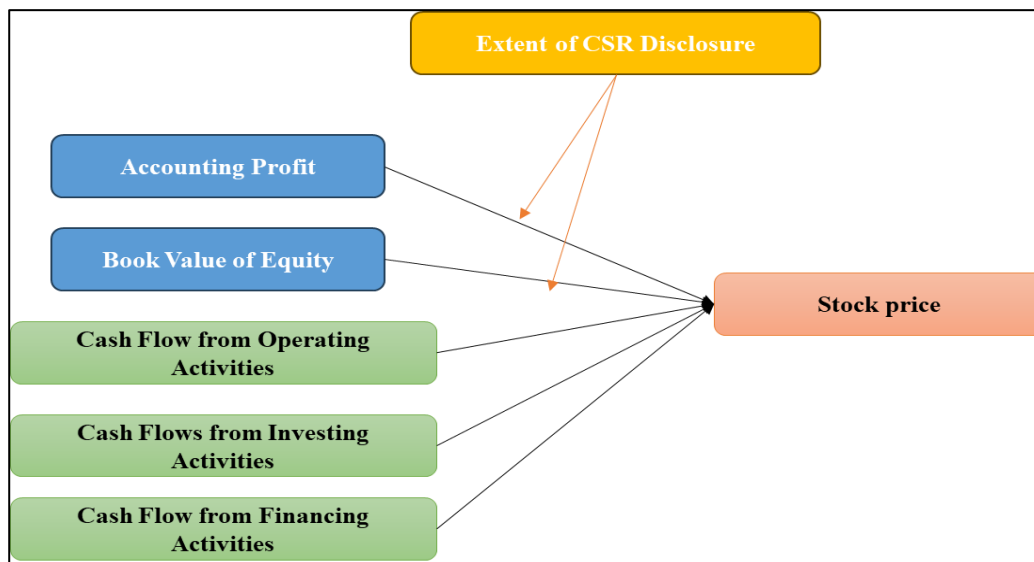


Figure 1: Conceptual framework

1.4 Objectives of the Study

- To analyse the accounting information regarding corporate social responsibility in select companies.
- To identify the key success factors related to accounting information that prevent the company
- To evaluate the processes and procedures for measurement and economic valuation, which reveal the consolidation and presentation of the accounting information.

2. Literature review

Kesari, (2023), whose methodology addresses a non-experimental research design, of a documentary nature, through the review of general content on the subject; with a type of descriptive study, and a qualitative approach, using the literature review technique. The results reflect a higher degree of CSR, which proves the lack of a social accounting model, which concludes that the proposal is a great opportunity, since an information system is developed supported by accounting measurement and valuation processes and procedures, quantitatively and qualitatively, including all the activities carried out in the company of a social, economic and environmental nature.

Talpur, et al (2023) the article Corporate social responsibility from accounting a systematic mapping of the literature for India, whose purpose was to carry out systematic mapping on Corporate social responsibility from accounting, for which a type of non-experimental - descriptive research is proposed, an observational and retrospective research design, with a qualitative approach; also making use of the technique for collecting information, the systematic review of the literature

and its mapping. Likewise, the search process was carried out through Redalyc databases, in this case journals recognized by Scimago Journal and Country Rank, for the category of accounting, management and finance, with keywords such as social responsibility. and “accounting” or “public accounting, finding plenty of investigations published in different journals.

Rubio-Rodríguez, Hernández, Bermeo and Meneses (2020), developed in Cuenca - Ecuador, the research titled: Analysis of international financial reporting standards (IFRS) and their relationship with corporate social responsibility, whose objective was to analyse the relationship that present the (IFRS) with CSR practices. To do this, a descriptive and explanatory methodology is addressed, with a qualitative approach, highlighting as a technique the literature review of two categories of analysis: International Financial Reporting Standards (IFRS), and Corporate Social Responsibility (CSR).

Ashok, (2019) study of the impact of accounting profit, total cash flow, and cash flow components on share prices in several companies that went public on the NSE, India found that accounting profit had no significant effect on share prices or the three cash flow components. Cash has a huge impact on share prices.

3. Data analysis and interpretation

3.1. Analysis of the Coefficient of Determination (R^2)

The coefficient of determination (R^2) measures how well the model can account for variability in the dependent variable. A high R^2 value suggests that the independent variables contain sufficient information to foresee changes in the dependent variable (Ghozali, 2006:87).

The Adjusted R^2 column in the below-mentioned table shows that the sample coefficient of determination is 0.327. This suggests that 32.7% of share price fluctuations can be attributable to changes in accounting profit, book value, and cash flow components. The remaining 67.3% of the changes are influenced by variables not considered in this study.

Table 1: Autocorrelation Test Results

Company	Adjusted R^2 value	Durbin-Watson
NDR Auto Components Ltd	0.327	1.917

3.2. Individual Parameter Significance Test (T Statistical Test)

The t-statistical test was carried out to further investigate which of the six independent variables and one moderating variable had a positive influence on stock prices. The t-statistical test was carried out by comparing the t-calculated and t-table values, and looking at the significance values obtained for each variable. The t-table value for the first sample with degrees of freedom 499 and a 95% confidence level is 1.9647.

Table 2: T-test results for NDR Auto Components Ltd for FY 23-24

Hypothesis	Model	t	Sig.	Information
1	Accounting Profit	3.654	0	Accepted
2	Book value	12.94	0	Accepted
3	Operating Activities Cash Flow	-1.98	0.048	Accepted
4	Investing Activities Cash Flow	-1.4	0.162	Rejected
5	Funding Activity Cash Flow	-2.14	0.033	Accepted
6	Accounting Profit*CSR	-2.07	0.039	Accepted
7	Book Value*CSR	3.585	0	Accepted

1. The first hypothesis (H_1) proposed is that accounting gains have value relevance, which means they have a positive effect on stock prices. The regression results reveal a t-count value of 3.654 at a significance level of 0.000. The t-calculated value (3.654) is bigger than the t-table value (1.9647), and the significance value (0.000) is less than the 0.05. level, implying that accounting profits either have a positive effect on stock prices or are relevant. value, and we can conclude that the first hypothesis (H_1) is accepted because it is backed by facts and corresponds to study assumptions.
2. According to the second hypothesis (H_2) proposed, book value has value relevance, which means it has a positive effect on stock prices. The regression results show a t-value of 12.936 at a significance level of 0.000. The t-calculated value (12.936) is greater than the t-table value (1.9647), and the significance value (0.000) is less than the 0.05 significance level, implying that book value has a positive effect on stock prices or that book value is relevant. The

- second hypothesis (H_2) is accepted because it is supported by data and aligns with research expectations.
3. According to the postulated third hypothesis (H_3), cash flows from operating operations have value relevance, or in other words, they have a positive effect on stock prices. The regression results reveal an estimated t-value of -1.980 with a significance level of 0.048. The calculated t value (-1.980) is greater than the t table value (1.9647), and the significance value (0.048) is less than the 0.05 level, implying that cash flow from operating activities has a positive effect on stock prices or cash flow. The third hypothesis (H_3) is accepted because it is supported by data and aligns with research expectations.
 4. The fourth hypothesis (H_4) proposed states that cash flows from investment activities are value relevant, or that they have a positive effect on stock prices. The regression results reveal an estimated t-value of -1.401 and a significance level of 0.162. The estimated t value (-1.401) is less than the t table value (1.9647), and the significance value (0.162) exceeds the 0.05 level, implying that cash flows from investment activities have no beneficial effect on stock prices or cash flows. Cash from investment activities has no value relevance, and thus the fourth hypothesis (H_4) is rejected because it is not supported by data and does not correspond to study assumptions.
 5. The fifth hypothesis (H_5) proposed is that cash flows from financing activities have value relevance, or that cash flows from funding activities have a positive effect on share prices. The regression results reveal an estimated t-value of -2.138 at a significance level of 0.033. The estimated t value (-2.138) is bigger than the t table value (1.9647), and the significance value (0.033) is less than the 0.05 level, implying that cash flow from financing operations has a positive impact on share prices or cash flow. of funding activities has value importance, and it is possible to infer that the fifth hypothesis (H_5) is accepted because it is supported by evidence and meets research objectives.
 6. According to the proposed sixth hypothesis (H_6), CSR disclosures mitigate the value relevance of earnings, or in other words, accounting profits have a positive influence on stock prices when CSR disclosures are regulated. The regression results reveal an estimated t-value of -2.072 at a significance level of 0.039. The estimated t value (-3.008) is bigger than the t table value (-2.072), and the significance value (0.039) is less than the 0.05 level, implying that the interaction of accounting profits with CSR disclosure has a favourable impact on stock prices or accounting profits. has value relevance when modified by CSR disclosure, and we can infer that the sixth hypothesis (H_6) is accepted because it is supported by evidence and aligns with study objectives.
 7. According to the postulated seventh hypothesis (H_7), the importance of book value is tempered by CSR disclosures, or in other words, book value has a positive effect on stock prices when CSR disclosures are present. The regression results reveal an estimated t-value of 3.585 with a significance level of 0.000. The estimated t value (4.242) is more than the t table value (3.585), and the significance value (0.000) is less than the 0.05 level, implying that the interaction of book value and CSR disclosure has a positive influence on stock prices, or that book value is relevant. value when controlled by CSR disclosure, and we can infer that the eighth hypothesis (H_8) is accepted because it is backed by evidence and aligns with study objectives.

Accounting Profit Value Relevance: The findings of this study demonstrate that accounting profits are valuable, or that accounting profits have a beneficial effect on stock prices. This means that while evaluating the success of a future prospect, investors use accounting profit data. Accounting profits contain information that investors might use to gauge a company's performance. The larger the accounting profit, the higher the firm's share price, because increasing company profits boost the company's worth and shareholder wealth through rising share prices. If a company's accounting profits rise over time, investors will be more interested in investing in it, resulting in higher share prices. Conversely, poor profitability will lower share prices.

Investors use book value to determine a company's potential earnings per share. The main book value information, which is utilised to make investment decisions, will be reflected in the stock price. As a result, a company's basic book value information, which is utilised to make investment decisions, has an impact on its share price in the capital market. In other words, the book value of a share impacts its market price, influencing investors' decisions to purchase or sell shares. Thus, the findings of this study are consistent with those of prior studies conducted by Indra and Syam (2004), Rahman and Oktaviana (2010), and Agusti and Rahman (2011), which discovered that book values have value relevance.

Moderation of CSR Disclosures and Earnings Relevance: The findings of this study demonstrate that the interplay of accounting earnings and CSR has a positive influence on stock prices, or that CSR disclosures increase the value relevance of earnings. This suggests that if investors pay attention to CSR disclosures when making investment decisions, their attention to profits will indirectly increase, resulting in a stronger value relevance.

According to Ball and Brown (1968), fluctuations in stock prices follow investors' expectations of future earnings, hence the value of information given regarding the announcement of profit statistics influences investors' decision-making behaviour. The value of the disclosed information comprises profit and corporate social responsibility information, whereas investor behaviour refers to the investor's reaction to the company's annual report announcement. This indicates that when there are corporate social responsibility activities, investors expect the company to increase expenses or dedicate cash for CSR, resulting in lower company profits in the future, which will affect the returns that investors receive. However, CSR disclosure might be evaluated by investors before investing because it contains social information about

the company's activities. It is envisaged that this information will be used as a factor in investor decisions (Basamalah et al, 2005), and this study has demonstrated that investors respond to CSR disclosures provided by corporations.

Moderation of CSR Disclosures on the Relevance of Book Value: The findings of this study demonstrate that the interaction between book value and CSR has a beneficial effect on stock prices, or that CSR disclosure increases the relevance of book value. This suggests that if investors pay attention to CSR disclosures while making investment decisions, their attention to book value will be indirectly increased, resulting in a stronger value relevance. This demonstrates that the Indian capital market is either leading or following a global trend in which CSR themes have become a source of investment decision making for investors, whereas book value is used by investors to compare with the market value of company equity, allowing investors to determine whether the price of shares in circulation is too high or too low.

4. Conclusion and Recommendations

Once the accounting diagnosis was carried out, it was found that the company represented by the name of NDR Auto Components Ltd, to date has not implemented CSR, therefore, the respondents (internal clients), as well as the people interviewed (Manager and accountant), stated that they have very little knowledge of the subject. However, through the analysis of IFRS in the financial statements, despite not having knowledge or having acquired commitments, it is reflected in them, that in part it applies the three dimensions analysed in terms of: economic, social and environmental. Regarding the economy, it is reflected with the employee benefit subaccounts and administrative expenses for the payment of salaries, social security and social benefits in accordance with the law.

Regarding the social dimension, it is reflected with the subaccount of other expenses represented in the contribution made by the company for the purchase of sports shirts, in which it integrates employees with soccer competitions. And finally, in the environmental area, which without having knowledge, inadvertently applies the green system (acquisition of used tires), reflected in the subaccount also of other expenses due to lack of experience in accounting records regarding CSR in the company. accounting.

Recommendations

It is suggested to the Public Accounting program, that when thinking about projections and future work on CSR in accounting, or new versions of this work, it is important to take into account, work on proposals with implementation of the CSR in accounting, which allow us to contribute to the scarce existing literature to practically guide the application of this topic in the accounting records of companies, regardless of their size or whether it is private or public, and that finally can carry out planning, control and efficient monitoring of the social actions carried out.

Declaration of Competing Interest

The authors declare that they are not aware of any competing financial interests or personal relationships that may have influenced the work described in this document.

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