Journal of Research Administration
Society of Research Administrators International

THE MODERATING ROLE OF GOOD CORPORATE GOVERNANCE CHARACTERISTICS ON THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND FIRM PERFORMANCE: A COMPARATIVE STUDY BETWEEN INDONESIA AND MALAYSIA

Masrullah
University Muhammadiyah of Makassar

Mira
University Muhammadiyah of Makassar

Azizah Saaban
Manipal International University

Andi Arman
University Muhammadiyah of Makassar

Andi Munawar
University Muhammadiyah of Makassar

Irsyak Adiya Ramadhan
University Muhammadiyah of Makassar

Abstract

This study examines the consequences of Corporate Social Responsibility (CSR) on the performance of companies while considering the moderating influence of Good Corporate Governance (GCG) characteristics in the manufacturing sector of the Indonesia Stock Exchange between 2017 and 2022. The study employs a panel data regression analysis on a sample size of 264 companies. The findings reveal that CSR does not directly affect firm performance and that institutional ownership does not moderate this relationship. However, managerial ownership moderates the impact of CSR on performance, emphasizing the role of managers in ensuring transparency and effective management. This study highlights that companies are increasingly viewing CSR as a legal obligation rather than a branding strategy. This research contributes to legitimacy theory by linking CSR to firm performance through the moderating effect of GCG, underscoring the importance of companies fulfilling their social contracts to ensure sustainability. Practically, this research provides insights into improving firm performance through better decision-making and governance, with implications for enhancing long-term shareholder wealth.

Keywords: CSR, GCG characteristics, Firm performance

INTRODUCTION

A strong corporate reputation holds a significant potential for building community values or trust in a company. According to Dakhli (2022), a company's image or reputation is based on stakeholders' collective impressions of the company. A good corporate reputation leaves a positive impression on stakeholders and attracts consumers, which can in turn enhance firm performance. Therefore, a positive corporate reputation is advantageous in attracting consumer interest. Corporate reputation is contingent upon a company's dedication to its surrounding environment, including its implementation of Corporate Social Responsibility (CSR) initiatives. This is evident through the framework of CSR/sustainability, which emphasizes the growing emphasis that companies place on social responsibility and makes a positive impact in addressing the most pressing environmental and social issues of our time.

Companies that prioritize corporate social responsibility (CSR) are becoming more attractive to investors because they recognize the significance of social and environmental concerns. Investors and stakeholders demand that companies make CSR implementation and disclosure mandatory (Muttakin et al., 2013). CSR can be defined as the inclusion of financial and non-financial information about a company's interactions with its physical and social environment in its annual and separate social reports (Dewi & Keni, 2013). The implementation of social responsibility activities is closely related to the application of corporate governance. The implementation of social responsibility is associated with one of the principles of corporate governance, namely, responsibility (Sudana & Arlindania, 2011). Companies must be accountable for decisions that may impact their social environment.

The relationship between corporate governance and CSR disclosure is typically characterized by the presence of independent commissioners, also known as board independence. Research has shown that the proportion of independent commissioners positively influences CSR disclosure (Muttakin et al., 2013; Rouf, 2011; Santioso & Chandra, 2018). In terms of disclosing social responsibility, the corporate governance principle that aligns with this activity is transparency (Sudana & Arlindania, 2011). In addition, Law No. 40 of 2007 Article 66 mandates that companies disclose their social responsibility activities in their annual reports. It is important to note that the implementation of corporate governance and the execution of social responsibility are two interconnected elements. This has led to numerous studies examining the relationship between corporate governance and CSR disclosure..

Rahmawardani and Muslichah (2020) explain that the implementation of CSR in a company can create many benefits, including easier access to investors and lower initial capital costs, which are essential as a company cannot operate independently (Ghozali & Chariri, 2007). The benefits received by the company also have an impact on investors within the company. Many studies on the impact of CSR on firm performance have been conducted, including Rachmawardany and Muchlisah (2020). CSR has a significant positive impact on a company's performance. This is because CSR activities can enhance a company's image, which is formed through stakeholders' positive evaluations. As a result, more consumers are likely to purchase a company's products or

services, leading to improved financial performance. Any changes or modifications to the citation, reference, or in-line citations are not allowed, and the text must strictly adhere to American English, including its spelling, specific terms, and phrases.. Cho et al. (2019) explain that CSR affects a firm's performance. It can be interpreted that a company's continuous CSR activities foster public trust in the company's social performance. In addition, companies can gain extensive information about themselves from the public. Investors entrust their capital to the company, making it easier for the company to use this capital for activities aimed at improving firm performance.

In line with other researchers, Minnick and Noga (2010) found a positive relationship between governance and firm performance, including the composition of the board (size of the board) and the number of independent directors/commissioners, as well as executive compensation. Additionally, managerial strength focuses on CEO/chairman duality and provisions for takeover and dismissal, using incentive compensation components for directors and executives, primarily focusing on the sensitivity of long-term compensation to performance. The reason for selecting non-financial companies for this study is that they are broader in disclosing variables across various sectors, excluding the financial sector. Furthermore, the researcher's motivation for choosing non-financial sector companies as research samples included the following. First, from to 2017-2022, the number of listed companies was predominantly non-financial sector companies compared with financial sector companies. Second, companies distribute most of their dividends. Third, the level of investor protection remains low. Fourth, the implementation of corporate social responsibility (CSR) is regulated by law, necessitating further analysis of its impact on firm performance, moderated by the characteristics of good corporate governance (GCG) implementation. This study differs from previous research in that it posits GCG characteristics as a moderating variable that either strengthens or weakens the relationship between CSR implementation and firm performance. GCG characteristics were introduced as a moderating variable in light of the gaps and limitations of previous research.

LITERATURE REVIEW

Legitimacy Theory

Companies view society as a potential resource vital to their survival (going concern). As such, companies, as systems that prioritize societal interests, must align themselves with societal expectations. Legitimacy theory encompasses the concept of a social contract between a company and society. If society perceives that the company has violated the terms of this contract, the organization's survival will be threatened (Jupe, 2005). Social interactions will proceed in an orderly manner when society members function normally, which requires not only the ability to act according to their social context but also the ability to objectively assess individual behavior from a societal perspective (Narwoko, 2004). Legitimacy theory, which relates to corporate social responsibility (CSR) disclosure, posits that companies engage in CSR activities primarily to fulfill

obligations imposed by the government and as a regulatory requirement. Companies aim to gain recognition and acceptance from society by fulfilling these obligations. According to this theory, companies must balance resource management to avoid harming any specific party or future generations.

Good Corporate Governance

According to Abdul Kadir (2018), Good Corporate Governance (GCG) is a system that includes processes to oversee all activities within a company while ensuring accountability to shareholders and stakeholders in accordance with legal regulations and ethical values. The Minister of State-Owned Enterprises' Decree No. 117/2002 on Good Corporate Governance (GCG) outlines the following key principles:

1. Transparency: Effective and open decision-making processes, along with the disclosure of material and relevant information.
2. Accountability: Clear functions, implementation, and accountability of the company's organs to ensure effective management.
3. Responsibility: Adherence to legal regulations and sound corporate principles in managing the company.
4. Independence: Professional management of the company, free from conflicts of interest and undue influence/pressure from any party not in line with applicable regulations or sound corporate principles.
5. Fairness: Fairness and equity in fulfilling the rights of stakeholders based on agreements and applicable regulations.

As a commitment to consistently and sustainably apply good governance principles, the company implements a whistleblowing system, providing opportunities for management, employees, customers, and third parties to report suspected violations of these principles and ethical values. This policy ensures that no management or employees use their positions to prevent others from reporting. If management and/or employees, by virtue of their role in the company, become aware of the reporter's identity, they must ensure that this identity is not disclosed to anyone unauthorized to receive such information. Violations of the Code of Ethics include the following.

1. Non-compliance with this Code of Ethics will result in disciplinary action according to applicable company regulations and may lead to sanctions under civil and criminal law as per the applicable procedures and regulations.
2. If management and employees commit serious violations of the Code of Ethics, they agree to terminate the employment relationship in accordance with the company's policies.
3. Management and employees who are aware of a violation or attempted violation of the Code of Ethics but do not report it are considered to be in violation of the Code of Ethics.

Theoretical Framework

This study investigates, assesses, and gathers empirical data on the influence of corporate social responsibility (CSR) on corporate performance, taking GCG into account. This study focuses on

Figure 1. Conceptual Framework

non-financial companies listed on the Indonesia Stock Exchange between 2017 and 2022, with 270 companies and a sample size of 1,370, selected through purposive sampling techniques. Data analysis was carried out using the panel data regression analysis method with the aid of EViews 10 software, and the annual report data, which is accessible through IDX, were utilized for this analysis.

Hypothesis Development

The consequences of CSR include the formation of a positive corporate image, customer satisfaction, and competitive advantage. Enhanced corporate performance is often linked to a company's image, trust, customer satisfaction, and competitive advantage. The relationship between corporate social responsibility (CSR) and financial performance is mediated by several factors including corporate image and trust, customer satisfaction, and competitive advantage. These findings have important implications for Indonesian corporate managers, as they highlight the significance of CSR as a strategy for creating intangible assets, such as sustainable competitive advantage, corporate image and trust, and customer satisfaction, which ultimately lead to improved financial performance. Based on this understanding, the following hypothesis is proposed:

H1: *Adequate CSR implementation enhances corporate performance.*

Good governance reflects executives' effective oversight of corporate activities. Research conducted by Minnick and Noga (2010) found that good governance indicates that executives are likely to retain their positions because of the high compensation received as a result of their good performance. Based on this explanation, the following hypothesis was proposed:

H2: *Companies with good governance experience improve their corporate performance.*

H3: *Adequate CSR implementation can drive the improvement of corporate performance, moderated by the characteristics of Good Corporate Governance (GCG)*

METHODOLOGY

Data Analysis

Data will be processed using EViews 10 software, where the analysis method using panel data with a causal research approach. The data analysis model used in this study follows the regression equation model (Husaini & Purnomo, 2006), as follows:

$Z = a + \beta 1X + e$ ..... (1)

$Y = a + \beta 2X1 + \beta 4Z1 \, . \, X1 + e$ ..... (2)

Information:

Y= Firm Performance

a = Constanta

X= CSR

Z1 = GCG Characteristics

β1 β2 β3= Coefficients

e= Standard Error

The research methodology involved the following steps.

Figure 2. Methodology Steps

RESULTS AND DISCUSSION

Descriptive Test Results

Table 1. Descriptive Test Results

Date: 07/15/23 Time: 23:32
Sample: 2020 2022

	Y_ROA	X_CSR	Z1_KI	Z2_KM
Mean	0.006974	0.303405	0.725797	0.028929
Median	0.008249	0.307692	0.734364	0.000000
Maximum	0.450620	0.450549	7.075891	0.715642
Minimum	-0.682442	0.153846	0.000000	0.000000
Std. Dev.	0.075495	0.079736	0.504482	0.097560
Skewness	-2.957004	-0.005766	7.753349	5.217723
Kurtosis	35.33821	1.671167	97.78740	32.72524
Jarque-Bera	11888.09	19.42523	101476.2	10917.37
Probability	0.000000	0.000061	0.000000	0.000000
Sum	1.841114	80.09882	191.6103	7.637275
Sum Sq. Dev.	1.498983	1.672115	66.93400	2.503203
Observations	264	264	264	264

From the information presented in Table 1, it can be seen that the sample size in this study comprises 88 companies with 264 observations. The variable representing firm performance (Y) has a mean value of 0.006974, median value of 0.008249, maximum value of 0.450620, and minimum value of -0.682442. Its standard deviation was 0.075495, skewness was -2.957004, and kurtosis was 35.33821. Additionally, the CSR variable (X) has a mean value of 0.303405, median value of 0.307692, maximum value of 0.450549, and minimum value of 0.153846. Its standard deviation was 0.079736, skewness was -0.005766, and kurtosis was 1.671167. Furthermore, the variable for institutional ownership (Z1) has a mean value of 0.725797, median value of 0.734364, maximum value of 7.075891, and minimum value of 0.000000. Its standard deviation was 0.504482, skewness was 7.753349, and kurtosis was 97.78740. For the managerial ownership variable (Z2), the mean value is 0.0028929, the median value is 0.000000, the maximum value is 0.715642, and the minimum value is 0.000000. Its standard deviation was 0.097560, skewness was 5.217723, and kurtosis was 32.72524.

Panel Data Regression Determination (Estimation of CEM, FEM, and REM Models)

1. Common Effect Model (CEM)

The common effects model integrates time-series and cross-sectional data using a panel data approach. Unlike other methods, this approach assumes that the behavior of firm data is consistent over different time periods, without considering individual or temporal dimensions. The Ordinary Least Squares (OLS) method was used to estimate the panel data model. The results of the panel data regression with the common effects model are shown in Table 2.

Table 2. Common Effect Model

Dependent Variable: Y_ROA
Method: Panel Least Squares
Date: 07/15/23 Time: 23:24
Sample: 2020 2022
Periods included: 3
Cross-sections included: 88
Total panel (balanced) observations: 264

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.028529	0.019982	1.427737	0.1546
X_CSR	-0.067055	0.059256	-1.131609	0.2588
Z1_KI	-0.002716	0.009333	-0.291038	0.7713
Z2_KM	0.026301	0.048689	0.540180	0.5895

R-squared	0.005778	Mean dependent var	0.006974
Adjusted R-squared	-0.005693	S.D. dependent var	0.075495
S.E. of regression	0.075710	Akaike info criterion	-2.308778
Sum squared resid	1.490321	Schwarz criterion	-2.254597
Log likelihood	308.7586	Hannan-Quinn criter.	-2.287006
F-statistic	0.503703	Durbin-Watson stat	0.978660
Prob(F-statistic)	0.680050		

Considering the outcomes of the Common Effect Model examination presented in Table 2, it can be observed that the probability value for the CSR variable (X) exceeds the significance level, specifically 0.2588 > 0.05. Consequently, it can be inferred that CSR does not possess a substantial impact on firm performance (Y). Moreover, the moderation variables, comprising Institutional Ownership and Managerial Ownership, also exhibit values surpassing the significance level, with Z1 at 0.7713 > 0.05 and Z2 at 0.5895 > 0.05. Hence, it can be deduced that institutional and managerial ownership do not substantially affect firm performance (Y). Additionally, the F-statistic value reveals a probability of 0.680050, which exceeds the significance level (α 0.05), indicating that the independent and moderation variables collectively do not have a substantial impact on the dependent variable. The R-squared value is -0.005693, suggesting that the independent and moderation variables account for -0.5% of the variance in the dependent variable, while the remaining 99.05% is influenced by other variables not included in this study.

2. Fixed Effect Model (FEM)

This methodology assumes that variation among individuals can be attributed to differences in

their intercepts. To capture these differences, a dummy variable technique was employed to estimate the fixed-effect model for panel data. However, the slopes are assumed to be consistent across all companies. This estimation approach is referred to as the least-squares dummy variable (LSDV) method. The panel data regression outcomes utilizing the fixed effects model are presented in Table 3.

Table 3. Fixed Effect Model

Dependent Variable: Y_ROA
Method: Panel Least Squares
Date: 07/15/23 Time: 23:25
Sample: 2020 2022
Periods included: 3
Cross-sections included: 88
Total panel (balanced) observations: 264

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.126261	0.133529	-0.945567	0.3457
X_CSR	0.437888	0.439519	0.996290	0.3205
Z1_KI	0.001444	0.009440	0.152970	0.8786
Z2_KM	-0.023180	0.113425	-0.204365	0.8383

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.657240	Mean dependent var	0.006974
Adjusted R-squared	0.478926	S.D. dependent var	0.075495
S.E. of regression	0.054497	Akaike info criterion	-2.714617
Sum squared resid	0.513791	Schwarz criterion	-1.481998
Log likelihood	449.3294	Hannan-Quinn criter.	-2.219313
F-statistic	3.685850	Durbin-Watson stat	2.857337
Prob(F-statistic)	0.000000		

According to the Fixed Effect Model test in Table 3, the probability value for the CSR variable (X) is greater than the significance level, which is 0.3205 > 0.05. Thus, it can be inferred that CSR does not have a significant impact on firm performance (Y). Additionally, the moderation variables, including Institutional Ownership and Managerial Ownership, show probability values greater than the significance level, with Z1 at 0.8786 > 0.05 and Z2 at 0.8383 > 0.05. Consequently, it can be concluded that neither institutional ownership nor managerial ownership significantly affect firm performance (Y). However, the F-statistic value with a probability of 0.000000, which is smaller than the significance level (α 0.05), suggests that the independent and moderating variables collectively have a significant impact on the dependent variable. The R-squared value was 0.478926, indicating that the independent and moderating variables explained 47.8% of the variance in the dependent variable, while the remaining 52.2% was influenced by other variables not included in the study.

3. Random Effect Model (REM)

This strategy is used to analyze panel data in which the disturbance variables may exhibit correlations both over time and between individuals. In the context of the random effects model, the discrepancies in intercepts are accounted for by error terms that are specific to each company.

The primary advantage of employing this model is that it reduces heteroscedasticity. This approach is also referred to as the Error Component Model (ECM) or generalized least-squares (GLS) method.

Table 4. Random Effect Model

Dependent Variable: Y ROA
Method: Panel EGLS (Cross-section random effects)
Date: 07/16/23 Time: 08:03
Sample: 2020 2022
Periods included: 3
Cross-sections included: 88
Total panel (balanced) observations: 264
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.022158	0.026732	0.828921	0.4079
X CSR	-0.051149	0.082779	-0.617894	0.5372
Z1 KI	-0.000166	0.008441	-0.019657	0.9843
Z2 KM	0.015717	0.061066	0.257386	0.0871

Effects Specification	S.D.	Rho
Cross-section random	0.053497	0.4907
Idiosyncratic random	0.054497	0.5093

Weighted Statistics

R-squared	0.001601	Mean dependent var	0.003535
Adjusted R-squared	0.069919	S.D. dependent var	0.054085
S.E. of regression	0.054353	Sum squared resid	0.768096
F-statistic	0.138959	Durbin-Watson stat	1.895981
Prob(F-statistic)	0.936637		

Unweighted Statistics

R-squared	0.005066	Mean dependent var	0.006974
Sum squared resid	1.491388	Durbin-Watson stat	0.976470

According to the information provided in the table above, the outcomes of the random effects model test indicate that the probability value for the CSR variable (X) is greater than the significance level, with a value of 0.5372 exceeding 0.05. Consequently, it can be inferred that CSR does not have a significant impact on firm performance (Y). Similarly, the moderation variables Institutional Ownership and Managerial Ownership have probability values exceeding the significance level, with Z1 at 0.9843 surpassing 0.05 and Z2 at 0.7971 surpassing 0.05. As a result, neither institutional ownership nor managerial ownership significantly influence firm performance (Y). Furthermore, the F-statistic value, with a probability of 0.936637, surpassing the significance level (α 0.05) suggests that the independent and moderating variables collectively do not significantly affect the dependent variable. The R-squared value of -0.009919 signifies that the independent and moderating variables account for -0.9% of the variance in the dependent variable, while the remaining 99.01% is influenced by other variables outside the scope of this study.

Model Selection Test Results

1. Chow Test Results

This test was designed to compare the Common Effect Model and the Fixed Effect Model, and it was executed using EViews 12. To conduct the Chow test, data were regressed using both models. The Chow test outcomes were as follows:

Table 5. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.779426	(87,173)	0.0000
Cross-section Chi-square	281.141529	87	0.0000

Based on the Chow test results shown in the table above, the probability value for the cross-section chi-square is less than the significance level, specifically, 0.0000 < 0.05. Consequently, the fixed effects model (FEM) is selected as it meets the requirements of the significance level. Thus, H1 is accepted, suggesting that the Fixed Effect model (FEM) is the most suitable regression model for this study..

2. Hausman Test Results

This study aims to determine the best estimation method for the fixed effects model and the random effects model (Sugiyono, 2017). The Hausman test was conducted using the EViews 12.

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.627730	3	0.6531

The test results are as follows.

Table 6. Hausman Test

After examining the Hausman test results shown in the table above, it can be concluded that the probability value for the cross-section chi-square is greater than the significance level, with a specific value of 0.6531, surpassing 0.05. As a result, the random effects model (REM) was chosen for this study. This decision supports the acceptance of H0, indicating that the selected and appropriate regression model for this study is indeed the random effects model (REM).

3. Langrange Multiplier (LM) Test Results

The results of the LM test presented in the table indicate that the probability value for the cross-sectional chi-square is less than the significance level of 0.05. Therefore, the random effects model

(REM) was selected as the best model for this study. The Chow, Hausman, and LM tests all support the use of REM. Consequently, the null hypothesis (H0) was accepted, indicating that REM is an appropriate regression model for this study.

Classical Assumption Test Results

Because the chosen model is an REM, it is essential to conduct a classical assumption test. Common classical assumption tests include normality, multicollinearity, and heteroskedasticity tests, as outlined by Basuki and Yuliadi (2014, p.183) and Napitupulu et al. (2021: 141).

1. Normality Test

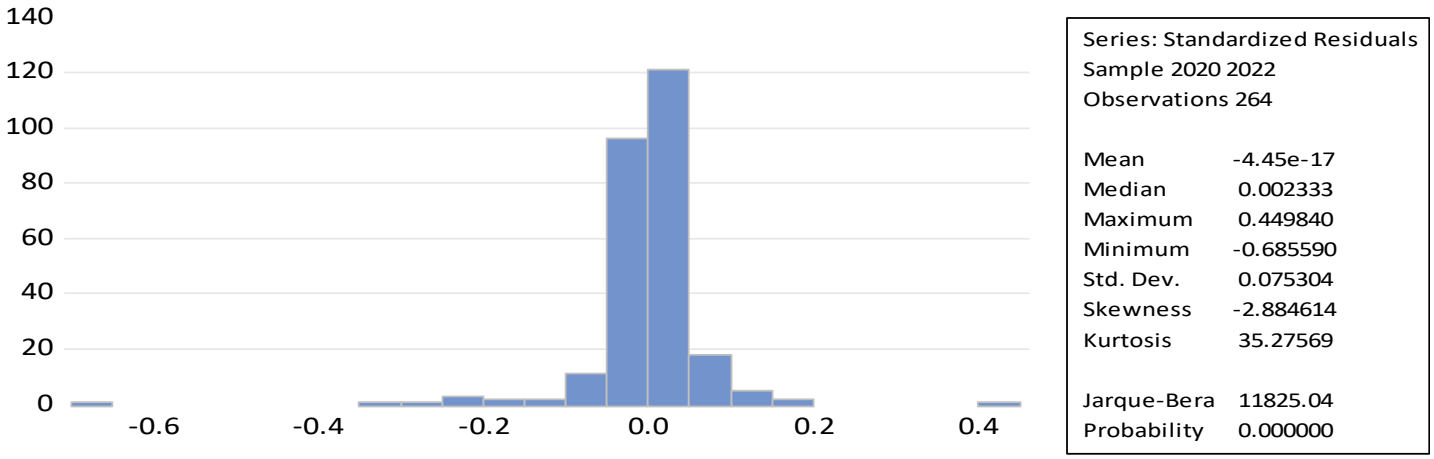

Figure 3. Normality Test

Based on the normality test results presented in Figure 3, the probability value indicates a Jarque-Bera statistic greater than the significance level, specifically 11825.04 > 0.05. Therefore, the data are normally distributed.

2. Multicollinearity Test

Table 7. Multicollinearity

	X_CSR	Z1_KI	Z2_KM
X_CSR	1.000000	-0.063843	0.146833
Z1_KI	-0.063843	1.000000	-0.120907
Z2_KM	0.146833	-0.120907	1.000000

The correlation coefficient between X and Z1 was -0.063843 < 0.85, between X and Z2 was -0.146833 < 0.85, and between Z1 and Z2 was -0.120907 < 0.85. Hence, it can be concluded that there is no multicollinearity, or that the data passes the multicollinearity test (Napitupulu et al., 2021:141).

3. Heteroskedasticity Test

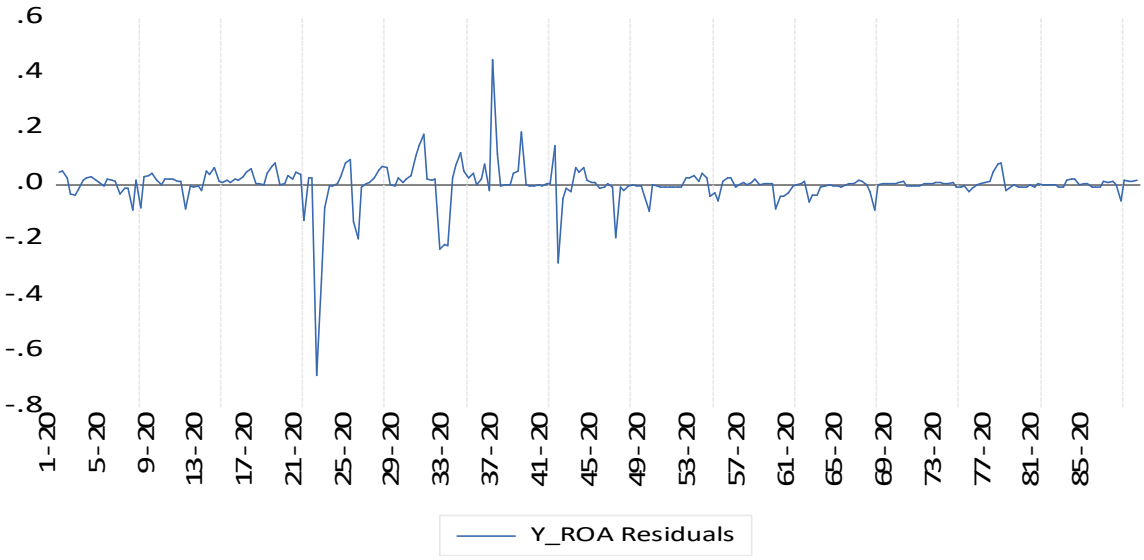

Figure 4. Heteroskedasticity

The residual plot (in blue) indicates that the residuals did not exceed the limits of 500 and -500, which suggests a constant residual variance. This suggests that there is no heteroskedasticity, meaning that the data pass the heteroskedasticity test (Napitupulu et al., 2021:141).

Panel Data Regression Analysis

In this study, panel data regression analysis was used as an analytical method. Panel data consist of both time-series and cross-sectional data, as they include a time-series span of three years, from 2020 to 2022, and cross-sectional data from 88 financial sector companies listed on the Indonesia Stock Exchange. The random effects model (REM) approach was employed as the regression estimation model to determine the relationship between the independent variable, Corporate Social Responsibility, and the dependent variable, firm performance, with Good Corporate Responsibility serving as a moderating variable for financial sector companies between 2020 and 2022. The results of the panel data regression analysis using the random effects model (REM) are presented in the following table.:

1. Without the Moderating Variable

Table 8. Model Equation 1

Dependent Variable: Y_ROA
Method: Panel EGLS (Cross-section random effects)
Date: 07/16/23 Time: 08:03
Sample: 2020 2022
Periods included: 3
Cross-sections included: 88
Total panel (balanced) observations: 264
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.022158	0.026732	0.828921	0.4079
X_CSR	-0.051149	0.082779	-0.617894	0.5372
Z1_KI	-0.000166	0.008441	-0.019657	0.9843
Z2_KM	0.015717	0.061066	0.257386	0.0871

Effects Specification

	S.D.	Rho
Cross-section random	0.053497	0.4907
Idiosyncratic random	0.054497	0.5093

Weighted Statistics

R-squared	0.001601	Mean dependent var	0.003535
Adjusted R-squared	0.069919	S.D. dependent var	0.054085
S.E. of regression	0.054353	Sum squared resid	0.768096
F-statistic	0.138959	Durbin-Watson stat	1.895981
Prob(F-statistic)	0.936637		

Unweighted Statistics

R-squared	0.005066	Mean dependent var	0.006974
Sum squared resid	1.491388	Durbin-Watson stat	0.976470

$$Y\_ROA = 0.022 - 0.051*X\_CSR - 0.000*Z1\_KI + 0.015*Z2\_KM + e$$

2. With the Moderating Variable

Table 9. Model Equation 2

Dependent Variable: Y_ROA
Method: Panel EGLS (Cross-section random effects)
Date: 07/16/23 Time: 07:54
Sample: 2020 2022
Periods included: 3
Cross-sections included: 88
Total panel (balanced) observations: 264
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.009131	0.037612	-0.242779	0.8084
X_CSR	0.071008	0.143436	0.495051	0.6210
Z1_KI	0.029155	0.036777	0.792736	0.4287
Z2_KM	0.825051	0.585665	1.408741	0.0581
XZ1	-0.128333	0.162117	-0.791604	0.4293
XZ2	-2.272823	1.621406	-1.401760	0.0492

Effects Specification

	S.D.	Rho
Cross-section random	0.052567	0.4791
Idiosyncratic random	0.054807	0.5209

Weighted Statistics

R-squared	0.011867	Mean dependent var	0.003597
Adjusted R-squared	0.237283	S.D. dependent var	0.054394
S.E. of regression	0.054591	Sum squared resid	0.768898
F-statistic	0.619700	Durbin-Watson stat	1.905788
Prob(F-statistic)	0.684897		

Unweighted Statistics

R-squared	0.030607	Mean dependent var	0.006974
Sum squared resid	1.453103	Durbin-Watson stat	1.008432

$$Y\_ROA = -0.009 + 0.071*X\_CSR - 0.128*X.Z1 - 2.272*X.Z2 + 0.029*Z1\_KI + 0.825*Z2\_KM + e$$

Hypothesis Test Results

1. T Test Results

a. Without the Moderating Variable

Table 10. T Test Result

Dependent Variable: Y_ROA
Method: Panel EGLS (Cross-section random effects)
Date: 07/16/23 Time: 08:03
Sample: 2020 2022
Periods included: 3
Cross-sections included: 88
Total panel (balanced) observations: 264
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.022158	0.026732	0.828921	0.4079
X_CSR	-0.051149	0.082779	-0.617894	0.5372
Z1_KI	-0.000166	0.008441	-0.019657	0.9843
Z2_KM	0.015717	0.061066	0.257386	0.0871

According to Table 10, the t-test results reveal that the CSR variable (X) has no considerable impact on the firm performance variable (Y), as the t-statistic value is lower than the critical value and the probability value of X is 0.6210, which is greater than 0.05. Similarly, the moderating variables, institutional ownership (Z1) and managerial ownership (Z2), do not seem to significantly affect the firm performance variable (Y) because the t-statistic values for Z1 and Z2 are both less than the critical value, with probability values of Z1 at 0.9843, which is greater than 0.05, and Z2 at 0.0871, which is also greater than 0.05.

b. With the Moderating Variable

Table 11. T Test with the Moderating Variable

Dependent Variable: Y_ROA
Method: Panel EGLS (Cross-section random effects)
Date: 07/16/23 Time: 07:54
Sample: 2020 2022
Periods included: 3
Cross-sections included: 88
Total panel (balanced) observations: 264
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.009131	0.037612	-0.242779	0.8084
X_CSR	0.071008	0.143436	0.495051	0.6210
Z1_KI	0.029155	0.036777	0.792736	0.4287
Z2_KM	0.825051	0.585665	1.408741	0.0581
XZ1	-0.128333	0.162117	-0.791604	0.4293
XZ2	-2.272823	1.621406	-1.401760	0.0492

According to the table above, the t-test results show that the CSR variable (X) has no significant impact on the firm performance variable (Y), as the t-statistic value is less than the critical value and the probability value of X is 0.6210, which is greater than 0.05. However, the moderating variable, institutional ownership (Z1), does not significantly affect the firm performance variable (Y) because the t-statistic value is less than the critical value and the probability value of Z1 is 0.4293, which is greater than 0.05. However, the moderating variable, managerial ownership (Z2), significantly affects the firm performance variable (Y), as the t-statistic value is less than the critical value, and the probability value of Z2 is 0.0492, which is less than 0.05.

2. Determination Test (R)

Table 12. Summary

R-squared	0.001601
Adjusted R-squared	0.069919
S.E. of regression	0.054353
F-statistic	0.138959
Prob(F-statistic)	0.936637

a. Without the Moderating Variable

The adjusted R-squared value, which is 0.069919 or 6.9919% of the variance in the dependent variable, firm performance, is explained by the independent variable, CSR, and the moderating variables, institutional and managerial ownership. However, the remaining 93.1% (100% adjusted R-squared) is accounted for by other variables not included in this research model, as indicated by the coefficient of determination.

b. **With the Moderating Variable**

Table 13. Summary (Moderating Variable)

R-squared	0.011867
Adjusted R-squared	0.237283
S.E. of regression	0.054591
F-statistic	0.619700
Prob(F-statistic)	0.684897

The adjusted R-squared value, which is 0.237283 or 23.7283%, reveals that the independent variable CSR and the moderating variables institutional ownership and managerial ownership account for 23.7% of the variation in the dependent variable firm performance. The remaining 76.3% (100% adjusted R-squared) was attributed to other factors that were not considered in this particular research model.

Discussion

Based on the results of the hypothesis test that has been carried out, the results of the study are obtained in accordance with the research objectives to be discussed and interpreted as follows:

1. The Impact of Corporate Social Responsibility (CSR) on Firm performance

The findings indicate that CSR does not have a significant impact on firm performance. This is likely due to the fact that in Indonesia, CSR disclosure is mandatory, as stipulated in Law No. 40 of 2007, Article 66, which requires CSR to be included in the company's annual report. However, companies' implementation of CSR is no longer primarily focused on self-branding or creating a positive image to attract investors or gain stakeholder attention. Instead, it has shifted towards fulfilling obligations under existing regulations.

2. The Impact of Corporate Social Responsibility (CSR) on Firm performance with the Moderating Variable of Good Corporate Governance Characteristics (Institutional Ownership and Managerial Ownership)

The research findings show that institutional ownership does not moderate the relationship between CSR and firm performance. Similar to broader findings, companies' CSR implementation is more oriented towards fulfilling regulatory obligations rather than enhancing self-branding or creating a positive image to attract investors or stakeholders. In contrast, managerial ownership moderates the relationship between CSR and firm performance. This aligns with the role of corporate management as agents (managers) seeking transparency, particularly for themselves as owners. Management considers CSR disclosure crucial because it significantly affects the company's performance as it reflects the management's ability to run the business effectively to achieve its objectives. Moreover, good governance demonstrates that executives exercise proper supervision of the company's operations. Studies conducted by Minnick and Noga (2010) have revealed that strong governance practices can lead to higher compensation, thereby enhancing executives' job security.

CONCLUSIONS

The study found that CSR is a mandatory practice in Indonesia and that its implementation does not significantly influence firm performance. This is primarily because companies are more focused on complying with regulatory requirements than on using CSR as a tool to enhance their brand image or attract investors and stakeholders. However, when considering the moderating role of GCG, particularly through managerial ownership, this study finds that managerial ownership enhances the relationship between CSR and firm performance. This is likely because managers, who also hold ownership stakes, value transparency, and are motivated to disclose CSR activities to support firm performance, align with the principles of good governance. In contrast, institutional ownership does not moderate the CSR-performance relationship, reinforcing the idea

that regulatory compliance, rather than strategic image-building, drives CSR practices in Indonesia. Overall, the findings suggest that, while CSR alone may not directly boost performance, its effectiveness can be amplified when supported by strong managerial involvement in corporate governance.

REFERENCES

Journal article

Abdul Kadir. (2018). Peranan brainware dalam sistem informasi manajemen jurnal ekonomi dan manajemen sistem informasi. Sistem Informasi, 1(September), 60–69. https://doi.org/10.31933/JEMSI

Cho SJ, Chung CY, Young J. Study of the Relationship between CSR and Financial Performance. *Sustainability*. 2019; 11(2):343. https://doi.org/10.3390/su11020343

Dewi, K., & Monalisa, M. (2016). Effect of Corporate Social Responsibility Disclosure on Financial Performance with Audit Quality as a Moderating Variable. Binus Business Review, 7(2), 149. https://doi.org/10.21512/bbr.v7i2.1687

Dakhli, A. (2022). The impact of corporate social responsibility on firm financial performance: does audit quality matter? Journal of Applied Accounting Research, 23(5), 950–976. https://doi.org/10.1108/JAAR-06-2021-0150

Muttakin, M.B., Khan, A. and Subramaniam, N. (2015), "Firm characteristics, board diversity and corporate social responsibility: Evidence from Bangladesh", *Pacific Accounting Review*, Vol. 27 No. 3, pp. 353-372. https://doi.org/10.1108/PAR-01-2013-0007

Minnick, K., & Noga, T. (2010). Do corporate governance characteristics influence tax management? Journal of Corporate Finance, 16(5), 703–718. https://doi.org/10.1016/j.jcorpfin.2010.08.005

Nguyen, T. T. T., & Nguyen, C. H. L. (2020). Corporate social responsibility and firm financial performance: A literature review. Science & Technology Development Journal - Economics - Law and Management, 4(3), First. https://doi.org/10.32508/stdjelm.v4i3.579

Rahmawardani, D. D., & Muslichah, M. (2020). Corporate Social Responsibility Terhadap Manajemen Laba Dan Kinerja Perusahaan. Jurnal Riset Akuntansi Kontemporer, 12(2), 52–59. https://doi.org/10.23969/jrak.v12i2.2251

Rouf, M. (2011). The Corporate Social Responsibility Disclosure: A Study of Listed Companies in Bangladesh. Business and Economics Research Journal, 2, 19-32.

Santioso, Linda, And Erline Chandra. 2018. "Pengaruh Profitabilitas, Ukuran Perusahaan, Leverage, Umur Perusahaan, Dan Dewan Komisaris Independen Dalam Pengungkapan Corporate Social Responsibility". *Jurnal Bisnis Dan Akuntansi* 14 (1), 17-30. https://doi.org/10.34208/jba.v14i1.102

Sudana, I. M., & Arlindania, P. A. (2011). Corporate Governance Dan Pengungkapan Corporate Social Responsibility Pada Perusahaan Go-Public Di Bursa Efek

Indonesia. *Journal of Theoretical and Applied Management (Jurnal Manajemen Teori Dan Terapan)*, *4*(1). https://doi.org/10.20473/jmtt.v4i1.2411

Book

Basuki, A. T., & Yuliadi, I. (2014). *Elektronik Data Prosesing (SPSS 15 dan EVIEWS 7)*, Danisa Media, Yogyakarta.

Ghozali., Chariri. 2007. *Teori Akuntansi*. Semarang : Badan Penerbit Universitas Diponegoro

Husaini Usman, R. Purnomo Setiady Akbar, 2006, Pengantar Statistika, Edisi Kedua, Jakarta : PT. Bumi Aksara

Napitupulu et al. (2021). *Penelitian Bisnis Tehnik dan Analisis Data dengan SPSS-STATA-Eviews. Edisi I*. Medan: Penerbit Madinatera.

Narwoko, J. D. (2004). Sosiologi Teks Pengantar dan Terapan. Prenada Media.

Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung : Alfabeta, CV.

Working Paper

Jupe, R. 2005. Disclosures in Corporate Environmental Reports: A Test of Legitimacy Theory. Working Paper, No. 91. https://core.ac.uk/download/pdf/106 31384.pdf