CORPORATE SOCIAL RESPONSIBILITY, CORPORATE PERFORMANCE, AND MODERATING EFFECT OF OWNERSHIP CONCENTRATION IN INDONESIAN COMPANIES

Iskandar Itan
Faculty of Business and Management, Universitas Internasional Batam
iskandar@uib.ac.id

Meiga Putri Antoni Ang
Faculty of Business and Management, Universitas Internasional Batam
2244006.meiga@uib.edu

Dea Tiara Monalisa Butar-Butar
Faculty of Business and Management, Universitas Internasional Batam
dea@uib.ac.id

Received on 3 February 2024
Accepted on 11 June 2024

Abstract— Corporate Social Responsibility (CSR) is a necessity that needs to be implemented so that companies operate not only for the benefit of shareholders but also for the public, government, consumers, the environment, and other stakeholders. CSR is also one of the management models that has been implemented in Indonesia, making it an alternative management model. The purpose of this research is to investigate the impact of social responsibility disclosure on corporate performance and the moderating effect of ownership concentration in this relationship. The data collection technique for this research uses secondary data, meaning data obtained from other sources by extracting information from the annual reports and sustainability reports of companies listed on the Indonesia Stock Exchange (IDX). The testing is done using E-Views. The results of this research indicate that CSR disclosure has a significant negative effect on financial performance, measured by both return on assets (ROA) and Tobin's Q. Ownership concentration plays a moderating role in strengthening the relationship between CSR and ROA, but it does not play a moderating role in the relationship between CSR and Tobin's Q.

Keywords: Corporate Performance; Ownership Concentration; Corporate Social Responsibility

1. INTRODUCTION

1.1 Background

Indonesia introduced regulations regarding corporate social responsibility (CSR) in Law No. 40 of 2007 concerning Limited Liability Companies, which stipulates that one of the requirements for annual reports is to include a report on the implementation of social responsibility (*Undang-Undang Republik Indonesia Nomor 40 Tahun 2007 Tentang Perseroan Terbatas*, 2007). This was further strengthened by SEOJK 16 of 2021 concerning Sustainability Reports. The regulations demand that companies act socially responsibly, not

only providing goods and services. CSR is one of the management models already implemented in Indonesia, making it an alternative management model.

Indonesia's regulations are not the only reason why companies have started CSR programs. In the past, it was proposed that a manager's only goal is to increase the value of shareholders' investments (Kartika, 2021; Kumala & Siregar, 2021). There was a claim that companies should only concentrate on increasing earnings and profits to boost the wealth of their owners. However, allocating a business's resources to social causes was seen as depriving shareholders and thereby lowering their wealth. Today, however, things are very different. Companies are under a lot of pressure to improve their corporate social responsibility, reporting, and performance, and to view environmental, social, and governance (ESG) issues as essential components of their business operations. Environmental protection and regulation have a significant impact on a firm's performance and stock market performance (Dahal & Das, 2022).

CSR is defined as how a company manages its business processes to generate positive impacts on society and refers to serving socially, community, and environmentally, both legally and financially required by a company (Barauskaite & Streimikiene, 2020). CSR has been said to depend on index regulations, and various institutional frameworks and economic systems seen in developing countries can result in different views on CSR (Bhatia & Makkar, 2020).

In recent years, Environmental, Social, and Governance (ESG) issues have become popular nationally and internationally. What makes ESG attractive to investors is the increased interest and focus on socially and environmentally responsible investments. ESG relates to a company's sustainable commitment. Generally, the main goals of CSR and ESG are aligned, where companies take responsibility for the social and environmental impacts of their business activities. If a company implements CSR programs with good governance, the path to implementing ESG will also improve.

CSR and ESG are crucial not only for positive economic impacts but also for significant social and environmental impacts. Consequently, companies that initially implement CSR programs will find it easier to adopt ESG principles to emphasize sustainability aspects. Investor confidence in such companies is likely to increase.

CSR activities clearly involve financial resource expenditures for the company. Whether it is profitable for a company to invest in CSR activities is a crucial question not only for academics but also for companies (Kabir & Minh Thai, 2017). Thus, the concept of CSR dealing with environmental, social, and economic impacts has received increasing attention in academic literature. Perceptions of CSR also tend to differ in many countries, depending on how CSR is viewed in the social, political, and financial systems (Sial & Chunmei, 2018).

This research examines Indonesian companies practicing CSR listed on the Indonesia Stock Exchange (IDX). Investopedia refers to Indonesia as a developing country with a Gross Domestic Product (GDP) of Rp 15.73 quadrillion in 2020 (*Top 25 Developed and Developing Countries*, 2023). Developing countries tend to have fewer institutions providing social goods, increasing expectations for companies to take initiatives in activities (Dobers & Halme, 2009). Consequently, the relationship between CSR and financial performance could differ from that observed in developed countries (Akben-selcuk, 2019). Moreover, ownership concentration deserves further investigation because agency issues resulting from conflicts of interest between controlling and minority shareholders are crucial issues in emerging markets (Claessens et al., 2002). Ownership concentration can influence corporate decision-making processes and priorities, potentially altering the impact of CSR initiatives on performance

(Shang et al., 2023). This study explores this moderating role, aiming to provide a clearer understanding of how ownership structures can affect the CSR-performance relationship.

Corporate governance (CG) and CSR disclosure also play a significant role in financial performance, but the moderating impact of CG on the relationship between CSR disclosure and financial performance is still unclear (Akben-selcuk, 2019; Jo & Harjoto, 2011). In this study, the researcher focuses on a specific CG characteristic: ownership concentration. The influence that concentrated shareholding owners have over a company's operations and management makes ownership concentration a crucial corporate governance measure (Nashier & Gupta, 2020). Specifically, this study aims to examine the relationship between CSR disclosure and company performance and the moderating role of ownership concentration in the relationship between CSR and company performance.

This study contributes to the literature: (1) By focusing on Indonesia, this research provides insights into CSR practices in an emerging market, addressing the geographic and contextual gaps in the existing literature; (2) By examining how ownership concentration moderates the CSR performance relationship, the study adds a new dimension to the understanding of CSR dynamics, highlighting the importance of ownership structures.

1.2 Literature Review and Hypothesis Development

1.2.1 Literature Review

This study integrates key concepts from stakeholder theory and agency theory to explain the underlying predictions and hypotheses related to the impact of CSR on corporate performance and the moderating effect of ownership concentration.

Linking CSR and company performance, stakeholder theory, introduced by Freeman (1984), posits that companies should address the interests of all stakeholders, not just shareholders. According to this theory, effective CSR activities can enhance relationships with key stakeholders, such as employees, customers, suppliers, and the community, leading to improved corporate reputation, customer loyalty, and employee satisfaction. These positive stakeholder relationships can, in turn, lead to better financial performance.

As for moderating effect of ownership concentration, agency theory, as developed by Jensen and Meckling (1976), addresses conflicts of interest between managers (agents) and shareholders (principals). In firms with dispersed ownership, managers may pursue personal goals that conflict with shareholder interests. CSR activities can help align managerial actions with broader stakeholder interests, potentially reducing agency costs. However, in firms with concentrated ownership, controlling shareholders can influence managerial decisions, potentially enhancing or diminishing the impact of CSR based on their priorities.

Positive Impact of FP on CSR: Numerous empirical studies have investigated the relationship between FP and CSR, generally supporting the notion that higher financial performance enables greater CSR investment (Nirino et al., 2022; Saad & Belkacem, 2022).

2.2 Hypotheses Development

Previous researchers have conducted numerous studies resulting in diverse conceptual findings on the relationship between CSR and company performance. Some studies conclude that the implementation of CSR enhances the effectiveness of company performance (Akben-selcuk, 2019; Bahta et al., 2020; Ling, 2019; Oware & Mallikarjunappa, 2020; Sun, 2012), particularly for companies audited by the Big 4 (Dakhli, 2021b). CSR has a significant positive impact on company performance for most industries, but not all. Comparing the performance implications of CSR practices targeting different stakeholder groups, empirical

results show that various types of CSR have different effects on the financial performance of companies from various industry sectors (Feng et al., 2017).

Research results from Cahyono (2011) and Wardoyo & Veronica (2013) state that CSR disclosure does not affect company performance. This is because Law No. 40 of 2007 requires every company to carry out CSR activities, making CSR no longer a consideration for investors as it has become mandatory for companies. Other research findings He et al. (2023) reveal that increased CSR disclosure can worsen company performance due to the costs incurred, potentially worsening financial performance.

The relationship between CSR and company performance yields different perspectives. Some companies have used significant resources to implement CSR programs, while others refuse to use substantial resources due to concerns about increased expenditures negatively impacting their company's performance (Amini & Silvia, 2017).

Mcwilliams (2001) describes CSR as a company's actions that advance social activities beyond the company's interests and activities mandated by law. CSR focuses on an overall cost-benefit analysis perspective, aiming to avoid incurring additional costs that do not improve profit, which could negatively affect company performance (Sial & Chunmei, 2018).

Vishwanathan et al. (2020) identify four main mechanisms explaining how CSR positively influences company performance: enhancing the company's reputation, improving stakeholder feedback, reducing company risks, and strengthening innovation capacity. Clearly, there are various mechanisms through which CSR investments can enhance a company's financial performance (Al-shammari & Rasheed, 2022; Anita & Amalia, 2021; Sun, 2012).

Considering the dynamics of companies in developing countries, Amini & Silvia (2017) explain that one dimension of measuring company performance is company turnover, measured by company revenue. This forms the theoretical basis for the hypothesis about how CSR can affect company performance, measured by company turnover. This assumption is based on the idea that every company wants to achieve substantial profits (Jensen, 1988). However, due to the unavailability of data, we use the measurement of pre-tax company profits. The previous theory suggests that companies engage in CSR activities to legitimize their operations in the eyes of stakeholders. By disclosing CSR activities, firms can improve their reputation and stakeholder relations, potentially leading to better financial performance. Based on theoretical studies, empirical studies, and basic logic, the alternative hypothesis proposed in this research is as follows:

H_1: Corporate social responsibility has a significant positive impact on company performance.

Pareek & Sahu (2022) state that corporate governance practices and ownership characteristics influence the governance of corporate operations. Jensen & Meckling (1976) introduced the agency theory, which explains the influence of ownership concentration on the relationship between CSR and corporate performance. According to agency theory, agency relationships are defined as contracts in which one or more individuals (principals) engage others (agents) to perform services on their behalf, involving delegating some decision-making authority to the agent.

According to agency theory, there are conflicting interests between managers and shareholders in a company that can reduce the company's value. Managers may make decisions in pursuit of their personal interests rather than maximizing the company's value. In this context, CSR can be considered a principal-agent problem because managers might invest excessively in CSR initiatives to enhance the company's reputation as a socially responsible

entity (Jo & Harjoto, 2011). This suggests that managers tend to maintain their positions and increase their compensation rather than focusing on maximizing company performance, so concentrated ownership structures can worsen corporate performance. Besides the agency theory issues in developing countries, there are also issues concerning the takeover of minority shareholders by controlling shareholders (Claessens et al., 2002).

Ownership concentration refers to the percentage of a company's shares held by significant shareholders. When ownership concentration is high, a small number of influential shareholders have significant control and influence over business decisions (Tran & Dang, 2021). This may affect how ownership performance and CSR interact. The relationship may be weakened because larger shareholders may be more risk-averse and conservative, preferring to avoid the risks associated with CSR expenditures. They frequently prioritize rapid financial returns over CSR operations (Akben-selcuk, 2019). They might consider financial performance and core business operations to be more important than CSR initiatives, particularly if the benefits of CSR are slow to materialize. High ownership concentration may result in stricter resource allocation to initiatives that directly improve financial performance. In such cases, CSR initiatives, which could be expensive and not always provide a profit in the near term, might be reduced or given less priority (Akben-selcuk, 2019; Amini & Silvia, 2017).

Although various studies have been conducted in this context, there is still limited research on the relationship between ownership structure as a moderating factor between CSR and corporate performance. The hypothesis that ownership concentration will weaken the relationship between CSR and corporate performance is grounded in agency theory and stakeholder theory. Concentrated ownership may lead to a short-term focus on financial performance, reduced stakeholder influence, and a lack of accountability regarding CSR practices. These factors are expected to diminish the positive impact of CSR initiatives on firm performance metrics. Therefore, in this study, we attempt to address a specific gap in the literature by examining the level of CSR performance in emerging markets through the lens of agency theory. Based on theoretical studies, empirical studies, and basic logic, the alternative hypothesis proposed in this research is as follows:

H_2: Ownership concentration will weaken the relationship between corporate social responsibility and corporate performance.

1.2.3 Research Model

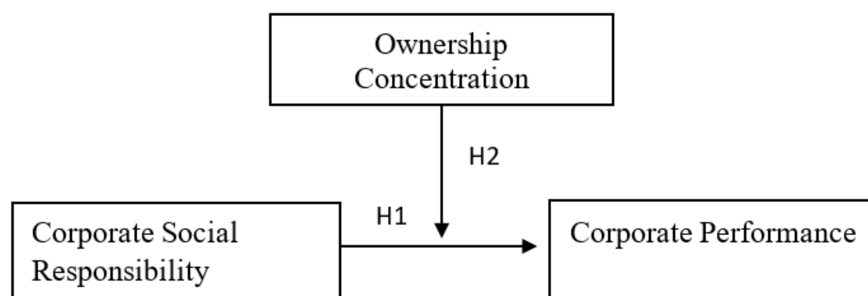

Figure 1. Research Model

2. RESEARCH METODOLOGY

2.1 Population, Sample, and Data Source

This study employs a quantitative methodology, utilizing data sourced from annual reports collected via secondary channels, including the official website of the Indonesia Stock Exchange (IDX) and individual company websites, spanning the period from 2018 to 2022. A

total of 83 companies (415 data points) were chosen as the sample, selected based on their comprehensive publication of annual reports, financial statements, and sustainability reports adhering to GRI standards. Through SPSS, a classical assumption test of normality identified and excluded 164 outlier data points, resulting in a dataset of 251 data points meeting the normal distribution assumption. Analysis was performed using the E-Views program.

The sample selection process involved acquiring data from annual reports accessible on individual company websites and IDX, ensuring data availability and reliability for a thorough examination of sustainability and financial performance. The study's timeframe, covering 2018 to 2022, provided a contemporary framework for assessing business practices.

Initially, 415 data points were obtained from 83 selected firms, chosen based on their consistent publication of comprehensive reports. Inclusion criteria required adherence to Global Reporting Initiative (GRI) standards, ensuring globally accepted norms for sustainability reporting and maintaining data comparability and quality. Financial firms were excluded from the sample due to distinct corporate governance requirements and transparency demands.

By focusing on companies meeting stringent reporting standards, the study collected a reliable dataset. Application of GRI standards contextualized Indonesian businesses' sustainability policies, ensuring consistency in data type and structure. The rigorous sample selection process supported the validity and reliability of study conclusions, enabling a thorough examination of corporate sustainability reporting within the specified timeframe.

2.2 Variable Operationalization

The objective of this study is to examine the influence of CSR disclosure variables, moderated by ownership concentration, on corporate performance. The control variables include company size, leverage, liquidity, exports, diversification, sales growth, and company age. ROA (Return on Assets) and Tobin's Q are used as measurements of company performance. A summary of all variables used in this research is presented in Table 1.

Table 1. Operationalization of variables

Variable	Symbol	Measurement
Return on Asset	ROA	(Proft/loss after tax / total assets) × 100
Tobin's Q	TOBIN'S Q	(Market value + long-term liabilities)/ total assets
Corporate Social Responsibility	CSR	Total number of disclosures in CSR Index
Ownership Concentration	OWN	Percentage of majority shareholders divided by total shares
Firm Size	FSIZE	Log (total assets)
Leverage	LEV	Total liabilities / total assets
Liquidity	LIQ	Current assets / current liabilities
Export	EXP	A category variable that takes the value "1" if the company earns a portion of its revenue internationally, "0" is the opposite
Diversity	DIV	A categorical variable that takes the value "1" if the company operates in more than one industry, "0" is the opposite
Growth	GROWTH	The percentage change in the company's net income compared to the previous year

Variable	Symbol	Measurement
Firm Age	FAGE	Natural logarithm of the number of years since the establishment of the company

Measurement of the disclosure of the company's environmental activities can be obtained through CSR disclosures in the annual report or sustainability reports. CSR is determined by applying 33 disclosure items according to (Maqbool & Hurrah, 2020). If item y is disclosed in the company's annual report, it is assigned a value of 1. If there is no disclosure of item y, the value is 0. The CSR Index for each company is calculated using the following formula:

$$CSR = \frac{\Sigma Xyi}{ni}$$

The list of corporate social responsibility items is presented in Appendix A.

2.3 Data Analysis Method

The quantitative data in this study will be analyzed using the SPSS program, and the E-Views program will be used to determine the regression outcomes as part of the data analysis approach. Since SPSS is unable to interpret time-series data, E-Views is used for the regression analysis. Panel data regression models can be estimated using various techniques, such as the random effect, fixed effect, and common effect models. To choose the best approach for this study, these models will be tested. Table 2 displays the panel data regression model test results.

Table 2. Regression Result

Test Name	Effects Test	Prob.	Model Fit
Chow Test	Cross-section chi-square	0.00000	Fixed effect
Hausman Test	Cross-section random	0.00000	Fixed effect

The fixed effect model was chosen based on the chi-square probability value of 0.000 < 0.05, as determined by the Chow test findings. After obtaining the fixed effect model, the next step involves comparing it with the random effect model using the Hausman test. The fixed effect model was selected because the cross-section random probability value is 0.000 < 0.05, as shown in Table 2.

3. RESULT AND DISCUSSION

Table 3 presents the test results and discussion for this research. After removing outlier data, the number of observations is 251. The first and second rows show the means for ROA and Tobin's Q, with values of 0.03564 and 1.34638, respectively. This means that, on average, out of the 251 company data points, only 3.56% represents profit against total assets (ROA), and 134.63% represents the market capitalization plus the book value of liabilities divided by the book value of total assets (Tobin's Q). This indicates that companies engaging in social and environmental responsibility disclosure following GRI standards still do not have high net profits and are not managing assets sufficiently well, resulting in a profit of only 3.56% of total asset value.

Table 3. Descriptive statistics

Variable	Observations	Mean	Minimum	Maximum	Standard Deviation
ROA	251	0.03564	-0.15550	0.22178	0.06031
TOBIN'S Q	251	1.34638	0.37249	4.60439	0.77052
CSR	251	0.36995	0.04494	0.90361	0.17789
Ownership Concentration (OWN)	251	0.53564	0.09170	0.98306	0.18821
CSR X OWN	251	0.19288	0.01963	0.53451	0.10932
Firm Size (in millions of rupiah)	251	40,985,809	687,503	413,297,000	0.55524
Leverage	251	0.54480	0.10282	1.01442	0.21862
Liquidity	251	1.65156	0.23424	5.27698	0.97549
Growth	251	0.10481	-2.27291	24.11321	0.55460
Firm Age (in years)	251	39	7	103	0.50446

The minimum value generated for company performance with ROA is -0.15550, indicating that some companies have not effectively managed assets. On the other hand, the maximum value is 0.22178, suggesting that some companies can manage assets well, up to 22.17%. The minimum value for company performance with Tobin's Q is 0.37249, signifying that some companies have not effectively managed the market value of the company. The maximum value is 4.60439, indicating that some companies can manage the market value very well due to the enhanced company image and credibility resulting from effective CSR implementation.

Next, the CSR variable has minimum and maximum values of 0.04494 and 0.903611, respectively. The minimum CSR value indicates that the company is not very active in CSR activities, disclosing only 4 out of 83 CSR disclosure items. Meanwhile, the maximum CSR value indicates high involvement and strong commitment to CSR program implementation, with the company disclosing 75 out of 83 CSR disclosure items. Although Law No. 40 of 2007 requires companies to publish sustainability reports, some companies do not fully implement this, and sustainability reports are not always disclosed.

Meanwhile, ownership concentration produces an average value of 0.53564, indicating that 53.56% of company shares are owned by certain individuals or groups. This is reasonable considering Indonesia is still in the process of development.

Control variables, firm size (FSIZE) and firm age (FAGE), show average values of IDR 40,985,809,710,493 and 39 years, respectively. On average, the 83 companies in the study have a company size of IDR 40,985,809,710,493 and an operational period averaging 39 years. Leverage (LEV), liquidity (LIQ), and sales growth (GROWTH) for companies in the period 2018 to 2022 have average values of 0.54480, 1.65156, and 0.10481, respectively. This indicates that, on average, companies have leverage of 54.48%, liquidity of 165.15%, and sales growth of 10.48%.

Table 4. Frequency Statistics (Export Activities)

	Frequency	Percent	Valid Percent	Cumulative Percent	Total Companies
Non-Export Companies	37	14.7	14.7	14.7	11
Export Companies	214	85.3	85.3	100.0	62
Total	**251**	**100.0**	**100.0**		

Table 5. Frequency Statistics (Industry Diversity)

	Frequency	Percent	Valid Percent	Cumulative Percent	Total Companies
Non-Diversity Companies	75	29.9	29.9	29.9	23
Diversity Companies	176	70.1	70.1	100.0	51
Total	**251**	**100.0**	**100.0**		

The results of the descriptive statistical tests also present the export and diversification dummy variables in Tables 5 and 6, indicating that 62 companies are engaging in exports and 51 companies with industrial diversification. Meanwhile, 11 companies do not engage in export sales, and 23 companies do not have industrial diversification.

Table 6. Regression Result

Variable	ROA				Tobin's Q			
	b	t	prob.	Result	b	t	prob.	Result
C	-0.1757	-2.0923	0.0375		1.5341	1.2751	0.2035	
CSR	-0.1940	-3.4415	0.0007	Sig. Negative	-1.7019	-2.1073	0.0361	Sig. Negatve
OWN	-0.1237	-3.4415	0.0051	Sig. Negative	-1.0353	-1.6524	0.0997	Insig.
CSR X OWN	0.3777	3.5851	0.0004	Sig. Positive	2.3913	1.5844	0.1144	Insig.
FSIZE	0.0263	4.1921	0.0000	Sig. Negative	0.0391	0.4345	0.6643	Insig.
LEV	-0.0953	-5.0276	0.0000	Sig. Negative	-0.4230	-1.5579	0.1205	Insig.
LIQ	0.0085	1.9981	0.0468	Sig. Positive	0.1685	2.7516	0.0064	Sig. Positive
Growth	0.0231	3.7918	0.0002	Sig. Positive	-0.0075	-0.0863	0.9312	Insig.
FAGE	-0.0109	-1.6048	0.1098	Insig.	-0.0092	-0.0948	0.9245	Insig.

The research results presented in Table 6 indicate that CSR has a significant negative impact on company performance through the measurement of ROA and Tobin's Q. This suggests that as the disclosure of CSR increases or as more companies implement CSR programs, the company's performance decreases. This finding contrasts with the results of studies conducted by Anita & Amalia (2021), Cho et al. (2019), Gantino (2016), He et al. (2023), Jang et al., (2019), and Kabir & Minh Thai (2017), which found a significant positive impact of CSR on company performance measured by ROA.

However, the research results for ROA are consistent with a previous study by Jang et al. (2019), which also found that CSR disclosure has a negative impact on ROA. This is because engaging in CSR activities increases expenses, potentially worsening financial performance. Therefore, it can be concluded that some companies with significant resource utilization, impacting increased expenditures, negatively affect their performance. Thus, Hypothesis 1 with the measurement of ROA is rejected.

The test results using Tobin's Q also state that an increase in CSR disclosure leads to a decrease in the company's value in the market. This result contradicts studies conducted by Cho et al. (2019), Dakhli (2021), Feng et al. (2017), Oware & Mallikarjunappa (2020), and Sial & Chunmei (2018). He et al. (2023) study also revealed the same outcome, where increased CSR disclosure could worsen company performance due to increased expenses. This is supported by a study on Marks and Spencer's strategy (Eccles et al., 2023), indicating that investor perception of CSR practices implemented by Marks and Spencer does not directly increase the company's market value. The negative impact of CSR on company performance in market value suggests that in the long run, Marks and Spencer, prioritizing CSR programs, may experience a decrease in market value relative to its book value of assets. This could happen because Marks and Spencer sacrifice current profitability for long-term sustainability. Therefore, Hypothesis 1 with Tobin's Q measurement is also not supported.

Furthermore, the results in Table 6 show that ownership concentration strengthens the relationship between CSR and company performance measured by ROA. This suggests that the presence of ownership concentration as a moderating variable is not influenced by agency theory. The increased involvement of ownership concentration can strengthen the relationship between CSR and company performance, where ownership concentration has no personal interests and can oversee management in managing the company, resulting in good company performance through CSR disclosure. This finding aligns with the study conducted by Anita & Amalia (2021), stating that ownership concentration strengthens the relationship between CSR and ROA.

Meanwhile, the test results indicate that ownership concentration does not play a moderating role in the relationship between CSR and company performance with Tobin's Q measurement. This is because investors no longer consider whether or not CSR activities are carried out by the company, as they assume that the government has mandated companies to implement CSR in accordance with Law No. 40 of 2007. This result is also consistent with the study conducted by Anita & Amalia (2021), stating that ownership concentration does not strengthen or weaken the relationship between CSR and ROA. Therefore, Hypothesis 2 is not supported.

4. CONCLUSIONS AND SUGGESTIONS

4.1 Conclusions

The purpose of this study is to examine the influence of Corporate Social Responsibility (CSR) disclosure on company performance and investigate how ownership concentration may modify this relationship. Specifically, the study analyzes the impact of CSR activities reported according to the Global Reporting Initiative (GRI) standards on two key indicators of company performance: Return on Assets (ROA) and market value measured by Tobin's Q. The study further explores whether ownership concentration—defined as the extent to which a company's shares are held by major shareholders—plays a role in strengthening or weakening the effect of CSR disclosures on these performance metrics.

Based on the test results presented in Table 5, the study concludes that CSR disclosure, in line with GRI standards, has a significant negative impact on company performance. This

negative impact is observed in both ROA and Tobin's Q, suggesting that higher levels of CSR activities and reporting are associated with lower financial performance and market valuation. These findings imply that the resources allocated to CSR initiatives may not translate into immediate financial benefits or may be perceived as a cost by the market, potentially leading to a lower valuation.

4.2 Implications

Implications of findings include economic implications: the findings highlight the economic benefits of CSR activities, including enhanced corporate reputation, competitive advantage, efficient resource allocation, and investment attractiveness; policy implications: the results support the need for stronger regulatory frameworks for corporate governance and CSR, promoting mandatory CSR reporting, and providing support for SMEs in implementing effective governance and CSR practices.

4.3 Limitations and Suggestions

Several limitations were noted in the study, particularly concerning the completeness and availability of data. Some companies listed on the Indonesia Stock Exchange (BEI) did not provide detailed financial information or lacked complete annual reports for the period from 2018 to 2022. This incomplete information poses a challenge in ensuring a comprehensive analysis and may limit the generalizability of the findings.

Future research could conduct longitudinal studies to examine the long-term impact of financial performance on CSR activities, considering dynamic changes in governance structures and market conditions. Researchers can examine how advancements in technology, such as digitalization and artificial intelligence, impact CSR activities and governance practices, providing valuable insights for firms adapting to technological changes.

5. REFERENCES

Akben-selcuk, E. (2019). Corporate Social Responsibility and Financial Performance : The Moderating Role of Ownership Concentration in Turkey. *Sustainibility*, *11*. https://doi.org/https://doi.org/10.3390/su11133643

Al-shammari, M. A., & Rasheed, A. A. (2022). Corporate Social Responsibility and Firm Performance : A Theory of Dual Responsibility. *Management Decision*, *60*(6), 1513–1540. https://doi.org/10.1108/MD-12-2020-1584

Amini, C., & Silvia, D. B. (2017). Corporate Social Responsibility and Latin American Firm Performance. *Corporate Governance*, *17*(3). https://doi.org/10.1108/CG-03-2016-0060

Anita, & Amalia, D. P. (2021). Pengaruh Tanggung Jawab Sosial Terhadap Kinerja Keuangan: Struktur Kepemilikan Sebagai Variabel Moderasi. *Jurnal Ekonomi Modernisasi*, *17*(1), 54–68. https://doi.org/https://doi.org/10.21067/jem.v17i1.5283

Bahta, D., Yun, J., Islam, R., & Ashfaq, M. (2020). Corporate Social Responsibility , Innovation Capability and Firm Performance : Evidence from SME. *Social Responsibility Journal*. https://doi.org/10.1108/SRJ-12-2019-0401

Barauskaite, G., & Streimikiene, D. (2020). *Corporate social responsibility and financial performance of companies : The puzzle of concepts , definitions and assessment methods*. *August*, 1–10. https://doi.org/10.1002/csr.2048

Bhatia, A., & Makkar, B. (2020). *CSR disclosure in developing and developed countries : a comparative study*. *11*(1), 1–26. https://doi.org/10.1108/JGR-04-2019-0043

Cahyono, B. (2011). *Pengaruh Corporate Social Responsibility Terhadap Kinerja*

Perusahaan dengan Kepemilikan Asing Sebagai Variabel Moderating.

Cho, S. J., Chung, C. Y., & Young, J. (2019). Study on the Relationship between CSR and Financial Performance. *Sustainibility*, *11*(343), 1–26. https://doi.org/10.3390/su11020343

Claessens, S., Djankov, S., Fan, J. P. H., & Lang, L. H. P. (2002). Disentangling the Incentive and Entrenchment Effects of Large Shareholdings. *The Journal of Finance*, *LVII*(6). https://doi.org/10.1111/1540-6261.00511

Dahal, M., & Das, J. (2022). Are green policies healthy for stock market? Evidence from Bombay stock exchange. *Vision the Journal of Business Perspective*. https://doi.org/10.1177/09722629211066284

Dakhli, A. (2021a). Does Financial Performance Moderate The Relationship Between Board Attributes and Corporate Social Responsibility in French Firms? *Corporate Social Responsibility*, *12*(4), 373–399. https://doi.org/10.1108/JGR-02-2021-0016

Dakhli, A. (2021b). The Impact of Corporate Social Responsibility on Firm Financial Performance: Does Audit Quality Matter? *Journal of Applied Accounting*, *23*(5), 960–976. https://doi.org/10.1108/JAAR-06-2021-0150

Dobers, P., & Halme, M. (2009). Editorial Corporate Social Responsibility and Developing Countries. *Corporate Social Responsibility and Environmental Management*, *249*(August), 237–249. https://doi.org/https://doi.org/10.1002/csr.212

Eccles, R. G., Serafeim, G., & Armbrester, K. (2023). Tough Decisions at Marks and Spencer. *Harvard Business School*, *MBA 2012*.

Feng, M., Wang, X., & Kreuze Glenn, J. (2017). Corporate Social Responsibility and Firm Financial Performance: Comparison Analyses across Industries and CSR Categories. *American Journal of Business*. https://doi.org/https:// doi.org/10.1108/AJB-05-2016-0015

Freeman, R. E. (1984). Strategic management: A stakeholder theory. *Journal of Management Studies*, *39*(1), 1–21.

Gantino, R. (2016). Pengaruh Corporate Social Responsibility Terhadap Kinerja Keuangan Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia periode 2008-2014. *Jurnal Dinamika Akuntansi Dan Bisnis*, *3*(2), 19–32.

He, C., Jia, F., Wang, L., Chen, L., & Fernandes, K. (2023). The Impact of Corporate Social Responsibility Decoupling on Financial Performance : The Role of Customer Structure and Operational Slack. *International Journal of Operations & Production Management*, *71902159*. https://doi.org/10.1108/IJOPM-08-2022-0521

Jang, S. S., Ko, H., Chung, Y., & Woo, C. (2019). CSR , Social Ties and Firm Performance. *Corporate Governance*, *19*(6), 1310–1323. https://doi.org/10.1108/CG-02-2019-0068

Jensen, M. C., & Meckling, W. H. (1976a). Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure. *Journal of Financial Economics 3*, *3*, 305–360.

Jensen, M. C., & Meckling, W. H. (1976b). Thoery of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, *3*(4), 305–360. https://doi.org/10.1177/0018726718812602

Jensen, M. G. (1988). Takeovers: Their Causes and Consequences. *Journal of Economic Perspective*, *2*(1), 21–48. https://doi.org/10.1257/jep.2.1.21

Jo, H., & Harjoto, M. A. (2011). *Corporate Governance and Firm Value : The Impact of Corporate Social Responsibility*. 351–383. https://doi.org/10.1007/s10551-011-0869-y

Kabir, R., & Minh Thai, H. (2017). Does Corporate Governance Shape The Relationship Between Corporate Social Responsibility and Financial Performance? *Pacific Accounting Review*, *29*(2), 227–258. https://doi.org/10.1108/PAR-10-2016-0091

Kartika, I. (2021). *Corporate Governance , Corporate Social Responsibility and Firm Value : Evidence from Indonesia*. *3*(1), 64–80.

Kumala, R., & Siregar, S. V. (2021). *Corporate social responsibility , family ownership and earnings management : the case of Indonesia*. *17*(1), 69–86. https://doi.org/10.1108/SRJ-09-2016-0156

Ling, Y. (2019). *In fl uence of corporate social responsibility on organizational performance Knowledge management as moderator*. *49*(3), 327–352. https://doi.org/10.1108/VJIKMS-11-2018-0096

Maqbool, S., & Hurrah, S. (2020). Exploring the Bi-directional relationship between corporate social responsibility and financial performance in Indian context. *Social Responsibility Journal*, *ahead-of-print*. https://doi.org/10.1108/SRJ-05-2019-0177

Mcwilliams, A. (2001). Corporate Social Responsibility : A Theory of the Firm Perspective. *Academy of Management*, *26*(1), 117–127. https://doi.org/https://doi.org/10.2307/259398

Nashier, T., & Gupta, A. (2020). Ownership Concentration and Firm Performance in India. *Global Business Review*, *24*(2), 353–370. https://doi.org/10.1177/0972150919894395

Nirino, N., Ferraris, A., Miglietta, N., & Invernizzi, A. C. (2022). Intellectual capital : the missing link in the corporate social responsibility – financial performance relationship. *Journal of Intellectual Capital*, *23*(2), 420–438. https://doi.org/10.1108/JIC-02-2020-0038

Oware, K. M., & Mallikarjunappa, T. (2020). CSR Expenditure, Mandatory CSR Reporting and Financial Performance of Listed Firms in India : an Institutional Theory Perspective. *CSR Reporting and Financial Performance*. https://doi.org/10.1108/MEDAR-05-2020-0896

Pareek, R., & Sahu, T. N. (2022). How Far The Ownership Structure is Relevant for CSR Performance ? An Empirical Investigation. *Corporate Governance*, *22*(1), 128–147. https://doi.org/10.1108/CG-10-2020-0461

Saad, S. Ben, & Belkacem, L. (2022). *How does corporate social responsibility in fl uence fi rm fi nancial performance ?* *22*(1), 1–22. https://doi.org/10.1108/CG-10-2020-0467

Shang, L., Zhou, Y., Hu, X., & Zhang, Z. (2023). How does the absorbed slack impact corporate social responsibility ? Exploring the nonlinear effect and condition in China. *Asian Business & Management*, *22*(3), 857–877. https://doi.org/10.1057/s41291-022-00176-4

Sial, M. S., & Chunmei, Z. (2018). Corporate Social Responsibility, Firm Performance and The Moderating Effect of Earnings Management in Chinese firms. *Asia-Pacific Journal of Business Administration*, *10*(2/3), 184–199. https://doi.org/10.1108/APJBA-03-2018-0051

Sun, L. (2012). Further Evidence on The Association Between Corporate Social Responsibility and Financial Performance. *International Journal of Law and Management*, *54 No.6*, 472–484. https://doi.org/10.1108/17542431211281954

Top 25 Developed and Developing Countries. (2023). Investopedia.

Tran, M. D., & Dang, N. H. (2021). *The Impact of Ownership Structure on Earnings*

Management : The Case of Vietnam. https://doi.org/10.1177/21582440211047248

Undang-Undang Republik Indonesia Nomor 40 Tahun 2007 tentang Perseroan Terbatas. (2007).

Vishwanathan, P., Oosterhout, H. J. Van, Heugens, P. P. M. A. R., Duran, P., & Essen, M. van. (2020). Strategic CSR: A Concept Building Meta-Analysis. *Journal of Management Studies*. https://doi.org/10.1111/joms.12514

Wardoyo, & Veronica, T. M. (2013). Pengaruh Good Corporate Governance, Corporate Social Responsibility & Kinerja Keuangan terhadap Nilai Perusahaan. *Jurnal Dinamika Manajemen*, *4*(2), 132–149.

APPENDIX A

<table>
<tr><th colspan="2">The Global Reporting Initiatives (GRI) Standards 2016</th></tr>
<tr><td>Economy Standards (GRI 200 Series)
1. Economic Performance
2. Market Presence
3. Indirect Economic Impact
4. Procurement Practices
5. Anti-corruption
6. Anti-competitive Behaviour</td><td rowspan="2">Social Standards (GRI 400 Series)
1. Employment
2. Labor/Management Relations
3. Occupational Health and Safety
4. Training and Education
5. Diversity and Equal Opportunity
6. Non-discrimination
7. Freedom of Association and Collective Bargaining
8. Child Labor
9. Forced or Compulsory Labor
10. Security Prcatices
11. Rights of Indigenous Peoples
12. Human Right Assessment
13. Local Communities
14. Supplier Social Assessment
15. Public Policy
16. Customer Health and Safety
17. Marketing and Labeling
18. Customer Privacy
19. Socioeconomic Compliance</td></tr>
<tr><td>Environment Standards (GRI 300 Series)
1. Materials
2. Energy
3. Water
4. Biodiversity
5. Emissions
6. Effluents and Waste
7. Environmental Compliance
8. Supplier Environmental Assessment</td></tr>
</table>

UMN