

The Effect of Corporate Social Responsibility (CSR) Performance on Firm's Financial Performance with CSR Committees as Moderating Variable

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ABSTRACT

Stakeholders are the Important element to be considered on company's sustainability. Companies respond to stakeholder pressure by developing corporate social responsibility strategy or initiative. Sustainability development and reporting have been considered as essential aspects affecting the companies' economic and financial performance. This study aims to analyze the effect of CSR performance on firm's financial performance and to investigate the ability of CSR committees in moderating the effect of CSR performance on financial performance of companies in Indonesia. The sample used in this study includes 20 non-financial companies that are listed in the Indonesia Stock Exchange and disclose environmental, social, and governance (ESG) scores as a proxy of CSR performance for the period of 2013 to 2020. This study uses panel data which is processed using fixed effect and random effect panel data regression. The results imply that CSR performance has significant and positive effect towards Return on Assets. However, no significant effect between CSR performance and Tobin's Q and Sales Growth which It indicates that CSR performance has not affected the market value and sales revenues. Moreover, the results indicate that CSR committees do not have the ability to moderate CSR performance and firm's financial performance. Based on the research findings, this study is hoped to be a consideration for the company in reviewing CSR strategies and evaluating the formation of appropriate CSR committees.

Keywords: CSR performance, firm's financial performance, CSR committees.

1. INTRODUCTION

Companies have recently faced increasing pressure from stakeholders to address various social and environmental issues (Pekovic & Vogt, 2021). This pressure arises from customers, employees, society, government, and shareholders (McWilliams & Siegel, 2001). As a result, companies respond to stakeholder pressure by developing corporate social responsibility strategy or initiative. Corporate social responsibility is an action that arises to advance social and environmental good beyond the companies' interests and is required by law (Porter & Kramer, 2016). More companies are starting to change CSR strategy from meeting legal requirements to more than compliance and integrating CSR into the companies' core business activities (Rothenberg et al., 2017). Therefore, CSR has become a strategic and integral part of a companies' business strategy (McKinsey, 2014). In addition, CSR, which can be classified as a key element of the companies' modern stakeholder's management, must disclose information on sustainability reports on environmental, social, and governance issues (Velte, 2020).

In recent years, many countries have experienced drastic changes in the number of companies reporting sustainability that is not only driven by laws and regulations but also by a growing understanding of environmental, social, and governance issues that impact financial performance and corporate value (KPMG, 2020). As a result, sustainability reporting conducted by companies globally has experienced increasing growth. Based on the 2020 Survey of Sustainability Reporting released by KPMG, as many as 80% of companies worldwide have reported sustainability. The level of sustainability reporting will continue to experience steady growth in the coming year (KPMG, 2020). In addition, sustainability reporting is almost universally adopted by companies worldwide, so a small minority of companies that have not reported will find their companies not following global norms (KPMG, 2020).

At the same time, sustainability development and reporting have been considered important aspects affecting the companies' economic and financial performance. It can be proved by the increasing number of research on the effect of CSR performance on other aspects, especially the effect of CSR performance on companies' performance to encourage companies to start complying with sustainability reporting (Junius et al., 2020). It is supported by research by Friede et al. (2015), where more than 2000 empirical studies on the effect of CSR performance on companies' financial performance were released from 1970 to 2015. In addition, based on EY's 2016 Value of Sustainability Reporting, most companies that report sustainability realize higher business value. Furthermore, based on research conducted by Whelan et al. (2020), from 2015 to 2020, there was an exponential growth in sustainability reporting. It is because business strategy focusing on CSR activities and sustainability reporting are synonymous with good corporate returns.

The debate around the relationship between CSR performance and companies' financial performance has become an interesting topic for academics, businesses, and policymakers (Kuzey et al., 2021). Extensive research has been conducted to assess the empirical relationship between CSR and companies' financial performance under diverse geographical contexts (Choi et al., 2010). However, based on studies that have been carried out, research on the relationship of CSR performance with the companies' financial performance reveals mixed results (Revelli & Viviani, 2015). Previous studies detected a positive (Martinez-Conesa et al., 2017), negative (Makni et al., 2009), or insignificant (van Beurden & Gössling, 2008) relationship between CSR performance and companies' financial performance. The diversity of findings on the relationship between CSR performance and companies' financial performance is caused by several factors, including various dimensions of CSR used in research (Crifo et al., 2016) and inaccurate approaches in research (Wang et al., 2016). Crifo et al. (2016) argue that because CSR is multidimensional and includes social, environmental, and business behavioral factors, one proxy can cause uncertainty in CSR relationships with other variables, especially companies' performance.

In addition to being associated with the multidimensional nature of CSR, the diversity of research findings on the relationship between CSR performance and companies' financial performance is also caused by various measures of companies' financial performance (Kuzey et al., 2021). Therefore, this study is conducted using three measures of a companies' financial performance because different measures of financial performance reflect different dimensions of companies' financial performance (Gentry & Shen, 2010). The relationship between CSR performance and companies' financial performance in this study is evaluated by three proxies: market-based performance, accounting-based performance, and sales-based performance. Market-based performance determines the importance of CSR on company's value, accounting-based performance reflects the return on the cost of company's involvement in CSR activities, and sales-based performance measures the motivation of internal stakeholders and the visibility of CSR initiatives to consumers (Kuzey et al., 2021). This measurement of financial performance is an indicator commonly used across sectors to make this research meaningful.

On the other hand, corporate governance is an important pillar of a sustainable companies' CSR orientation (Jamali et al., 2008). However, although corporate governance and CSR mechanisms have received considerable attention in recent decades, little is known about the specific indicators of corporate governance that facilitate or hinder the implementation of sustainable corporate practices (Chams & García-Blandón, 2019). In addition, although the relationship between corporate governance and CSR with companies' financial performance has been examined separately in previous studies, the mutual influence of corporate governance and CSR on companies' financial performance has not been studied thoroughly (Kuzey et al., 2021). Because corporate governance and CSR are interconnected factors (Karim et al., 2020), it is important to examine the combined effect on companies' financial performance indicators (Kuzey et al., 2021). Therefore, this study analyzes the ability of CSR committees to moderate the relationship between CSR performance and companies' financial performance.

Attention to sustainability and sustainability reporting in ASEAN has increased in recent years. It is driven by regulation and a growing awareness that sustainable development provides a competitive advantage to companies, especially in the long term (NUS, 2020). In addition, companies are beginning to recognize that sustainability reporting plays an important role in companies' financial performance (Deloitte, 2018). Based on NUS's Corporate Sustainability Reporting in ASEAN Countries 2020, Singapore has the highest sustainability reporting rate of 69%. Meanwhile, Indonesia is ranked second with a sustainability reporting rate of 36%. The figure is relatively low when compared to four other countries in ASEAN. However, in its implementation,

there are still problems that arise in Indonesia related to companies' operations that do not carry out CSR activities and ignore environmental, social, and governance conditions, especially for companies whose business activities are related to natural resource management (Zahroh & Hersugondo, 2021).

Currently, most research related to CSR activities and corporate sustainability reporting tends to focus on developed countries rather than developing countries and there is a lack of information in other regions (Dissanayake et al., 2020). This gap is particularly prominent in the case of countries in ASEAN, given the importance of the Asian economy, and may hinder further progress in the developing region (Anbumozhi, 2017). Furthermore, research on the effect of corporate CSR performance on the economic and financial performance of companies in developing countries is very minimal, especially in Indonesia which is rarely found (Yawika & Handayani, 2019).

Therefore, taking into account the explanation that has been explained, the researchers conducted more in-depth research related to the effect of companies' CSR performance on companies' financial performance with a research sample of non-financial companies operating in Indonesia and listed on the Indonesia Stock Exchange. The sample selection followed several previous studies that used non-financial companies (Nguyen et al., 2022; Yilmaz, 2021) as well as financial companies considered to have different CSR regulations or CSR behavior of financial companies are different from other sectors (Hamrouni et al., 2020; Kuzey et al., 2021). This research is conducted with a research period of eight years, from 2013 to 2020. This is because several previous studies were conducted within eight years (Kuzey et al., 2021; Uyar et al., 2020), and the effect of CSR performance on companies' performance can be seen in the medium to long term (Peters et al., 2019). This study is expected to reveal the effect of CSR activities on companies' financial performance in Indonesia and add empirical literature on the relationship of companies' CSR performance with companies' financial performance as measured by three proxies, namely market-based performance, accounting-based performance, and sales-based performance. In addition, this study also analyzed the ability of CSR committees to moderate the effect of CSR performance on the financial performance of companies in Indonesia.

2. LITERATURE REVIEW

2.1 Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the social responsibility of a business that encompasses the economic, legal, ethical, and discretionary expectations people have of the organization at a given time (Carroll, 1979). van Beurden & Gössling (2008) define CSR as the idea that companies strive to meet people's expectations when generating their environmental management strategy. In addition, Baumgartner (2014) argues that CSR integrates sustainability aspects into companies' values, strategies, and activities. The definition emphasizes the notion of CSR carried out by the companies which targets the improvement of various social and environmental outcomes as people's expectations. As CSR activities are becoming increasingly important for companies today, many research has been done to investigate the motives behind CSR commitments. Among the various views that explain CSR motives, there are two prominent motives: long-term investment and signaling (Chen et al., 2019). According to stakeholder's point of view, CSR is one element of environment, social and government (ESG) which is affecting firm performance, both short- and long-term effects. The CSR initiatives potentially gain corporate's sustainability (Hsu and Chen, 2024).

The long-term investment view of CSR comes from stakeholder theory which explains that a companies must meet the needs of stakeholders that affect companies' operational activities, where stakeholders will later reward the companies for its CSR efforts (Freeman, 1984). Previous research has shown that companies that act in a socially responsible manner have a good reputation (Orlitzky et al., 2003), experience low capital costs (Jiraporn et al., 2014), and get support from stakeholders, such as employees and customers (Greening & Turban, 2000). In addition, CSR can also be seen as a signaling mechanism. Signaling theory addresses the problem of information asymmetry between two parties where asymmetric information sources mostly relate to information about the quality or purpose (Montiel et al., 2012; Stiglitz, 2000). CSR activities can signal additional information or unobserved attributes to stakeholders, such as suppliers, employees, and customers (Su et al., 2016). Some recent studies also show that adopting CSR can reduce information asymmetries between companies and stakeholders and improve financial Pprformance (Kuzey et al., 2021). Moreover, Lin

(2024) addresses innovation technology moderated positively from CSR activities toward firm performance. This is relevant with recent trends in business by considering digitalization for increasing firm performance and competitiveness.

2.2 Corporate Social Responsibility Performance

CSR performance assesses the performance of CSR strategy implemented by companies measured using ESG score (Kuzey et al., 2021). ESG refers to a comprehensive approach to sustainability factors, namely the environment, social, and governance, in corporate analysis and decision-making (Tarmuji et al., 2016). In addition, ESG aims to capture additional dimensions of companies' performance that cannot be expressed in financial data (Bassen & Kovács, 2008). Therefore, the value of ESG captures a broader scope of non-financial data on environmental, social performance, and governance aspects so that it can be used to evaluate management capabilities and support risk management (Galbreath, 2013). ESG score consist of environmental, social, and corporate governance values that range between 0 and 100 (Dell 'Atti et al., 2017). CSR disclosure is not only as an informational report for firms, but also as a contributor for the firm performance which is represented by ROA and Tobin's Q. CSR attributes is influencing competitive advantage due to the involvement of economic, environmental and social initiative for the stakeholders (Ahmad Zaki&Rahman, 2024).

2.3 Corporate Social Responsibility Committees

Companies cannot generate a strong CSR orientation if they fail to have a solid pillar of corporate governance (Jamali et al., 2008). Therefore, companies must create good governance infrastructure system, such as strategic planning and effective control system (Kuzey et al., 2021). Corporate governance mechanisms, which include proper committees setting and independence of the board of directors, have an important role and positively influence companies' sustainability reporting and performance level (Oh et al., 2018). CSR Committees aim to improve companies' financial performance by aligning companies' objectives and achieving good internal and external communication with stakeholders (Peters et al., 2019). The existence of a CSR committees symbolizes the companies' orientation and commitment to sustainable development (Hussain et al., 2018). However, the findings on the role CSR committees in the context of CSR's relationship with the companies' financial performance have mixed results (Kuzey et al., 2021). Rodrigue et al. (2013) argue that the function of CSR committees is more symbolic rather than operational because, generally, CSR committees do not have decision-making power and are not involved in the implementation of corporate CSR activities. Meanwhile, Cucari et al. (2018) argue that CSR committees determine the effectiveness of the director's board in promoting the perspective of stakeholders due to its strong relationship with CSR.

2.4 Market-based Performance

Market-based performance determines the importance of companies' engagement toward CSR on companies' value (Kuzey et al., 2021). The market performance of a company can be measured by Tobin's Q (Kuzey et al., 2021; Ruf et al., 2001). Tobin's Q measures the market assessment of a company on assets that the company already owns so that it can capture market expectations about the companies' potential growth and prospects (Rodgers et al., 2013). Tobin's Q is also used to evaluate the market based on future cash flows and associated risks to identify investors' expectations of prospects and assess the company's overall potential growth (Cahan et al., 2016). In addition, Tobin's Q represents the expected long-term profitability aspect of company performance and reflects public confidence in the company (Marti et al., 2015). Pekovic & Vogt (2021) argue that using Tobin's Q as a measure of company performance is indispensable because it is based on the company's market value, and the impact of CSR is more likely to be seen in the medium or long term.

2.5 Accounting-Based Performance

Accounting-based performance reflects the return on the cost of company involvement in CSR activities (Kuzey et al., 2021). The accounting-based companies' performance is measured using the Return on Assets (ROA) ratio (Ruf et al., 2001; Uyar et al., 2020). ROA reflects the company's ability to generate profit based on the assets owned (Kuzey et al., 2021) which is calculated by dividing net income by total company assets (Uyar et al., 2020). In contrast to Tobin's Q, accounting-based financial performance measures the companies' performance in the short term and has a

significant positive relationship with CSR (Pekovic & Vogt, 2021). In addition, Orlitzky et al. (2003) argue that, in general, accounting-based performance has a stronger correlation with CSR than market-based performance. It is because the two types of measures reflect different dimensions of financial performance: short-term profitability for accounting-based financial performance and long-term profitability for market-based financial performance (Marti et al., 2015). The findings of this relationship are supported by the fact that profitable CSR activities satisfy key stakeholders to create efficiency and cost gains and ultimately increase asset returns (Mishra & Suar, 2010).

2.6 Sales-based Performance

Sales-based performance measures the visibility of corporate CSR initiatives to consumers (Kuzey et al., 2021). Sales Growth describes the percentage change in revenues in the current period relative to the previous period (Kuzey et al., 2021). Involvement in CSR activities show how the company behaves to meet stakeholders' expectations, including customers and company employees (Chen et al., 2019). Socially responsible company activities positively influence the level of products sold, making the company more sustainable than its competitors (Becchetti & Trovato, 2011). Sales-based company performance is measured using Sales Growth (Kuzey et al., 2021; Rashid, 2015).

3. METHODS

This research is conducted using a quantitative design and is classified as a panel observation. This research is also a descriptive study with an objective to observe the effect of CSR performance on a companies' financial performance as well as the moderation of CSR committees on a companies' financial performance by analyzing the dependent variables in the form of CSR performance measured using ESG against independent variables in the form of companies' financial performance measured using market-based performance, accounting-based performance, and sales-based with moderating variables in the form of CSR committees.

The method used in sample of this study is non-probability and not random. In addition, this study uses secondary data obtained from Thomson Reuters Datastream and companies' financial statements that are listed on the Indonesia Stock Exchange. The research sample use a non-financial company for eight years, from 2013 to 2020, using annual ESG, financial, and corporate governance data.

This research is conducted to analyze the effect of CSR performance on companies' financial performance as well as the moderation of the CSR committees on companies' financial performance on non-financial companies in Indonesia, which refers to the research conducted by (Kuzey et al., 2021). The researchers used three dependent variables to measure companies' financial performance: Tobin's Q, Return on Asset (ROA), and Sales Growth. Furthermore, the researchers used one independent variable to measure companies' CSR performance: ESG score. The researcher then used moderating variables in the form of CSR committees. In addition, researchers used seven control variables, including Board Size, Board Gender Diversity, Board Independence, CEO Duality, Free Float Percentage, Firm Size, and Leverage. The following is a summary table of research operationalization variables consisting of two dependent variables, three independent variables, one moderating variable, and seven control variables:

Table 1. Research Variables

Firm Value (Tobin's Q)	Calculated by the market value of equity plus debt divided by total assets
Return on Assets (ROA)	Calculated by profit before tax divided by total assets.
Sales Growth (Sgrowth)	Calculated by the percentage change in sales in the current period relative to the previous period.
CSR Performance (ESGs)	Social, environment, and governance (ESG) score ranging between 0 and 100
CSR Committee (CSRcom)	1 if CSR committee exists, 0 if otherwise.

Board Size (Bsize)	Calculated by the total number of directors in the company at the end of the financial year.
Board Gender Diversity (Bdivers)	Calculated by the percentage of female directors in the company.
Board Independence (Bindep)	Calculated by the percentage of independent directors in the company.
CEO Duality (CEOdual)	1 if the same person is chairman and CEO, 0 if otherwise.
Free Float Percentage (FF)	Calculated by the percentage of shares traded on the stock exchange.
Firm Size (Fsize)	Calculated by the natural log of the company's total assets.
Leverage (Leverage)	Calculated by dividing the total liabilities by the company's total assets.

This research model refers to the research model conducted by Kuzey et al. (2021). The model used in this study aims to analyze the relationship between CSR performance measured using ESG score and companies' financial performance measured using market-based performance measures, accounting-based performance, and sales-based and to analyze the moderation of CSR committees on the relationship between CSR performance and companies' financial performance. The following are the models used in the study:

$$\text{Tobin's } Q_{i,t} = \alpha + \beta_1 \text{ESGs}_{i,t} + \beta_3 \text{CSRcom}_{i,t} + \beta_4 \text{ESGs} * \text{CSRcom}_{i,t} + \beta_6 \text{Bsize}_{i,t} + \beta_7 \text{Bdivers}_{i,t} + \beta_8 \text{Bindep}_{i,t} + \beta_9 \text{CEOdual}_{i,t} + \beta_{10} \text{FF}_{i,t} + \beta_{11} \text{Fsize}_{i,t} + \beta_{12} \text{Leverage}_{i,t} + \varepsilon_{i,t}$$

$$\text{ROA}_{i,t} = \alpha + \beta_1 \text{ESGs}_{i,t} + \beta_3 \text{CSRcom}_{i,t} + \beta_4 \text{ESGs} * \text{CSRcom}_{i,t} + \beta_6 \text{Bsize}_{i,t} + \beta_7 \text{Bdivers}_{i,t} + \beta_8 \text{Bindep}_{i,t} + \beta_9 \text{CEOdual}_{i,t} + \beta_{10} \text{FF}_{i,t} + \beta_{11} \text{Fsize}_{i,t} + \beta_{12} \text{Leverage}_{i,t} + \varepsilon_{i,t}$$

$$\text{Sgrowth}_{i,t} = \alpha + \beta_1 \text{ESGs}_{i,t} + \beta_3 \text{CSRcom}_{i,t} + \beta_4 \text{ESGs} * \text{CSRcom}_{i,t} + \beta_6 \text{Bsize}_{i,t} + \beta_7 \text{Bdivers}_{i,t} + \beta_8 \text{Bindep}_{i,t} + \beta_9 \text{CEOdual}_{i,t} + \beta_{10} \text{FF}_{i,t} + \beta_{11} \text{Fsize}_{i,t} + \beta_{12} \text{Leverage}_{i,t} + \varepsilon_{i,t}$$

Information:

<i>Tobin's Q_{i,t}</i>	= Firm Value
<i>ROA_{i,t}</i>	= Return on Assets
<i>Sgrowth_{i,t}</i>	= Sales Growth
<i>ESGs_{i,t}</i>	= CSR Performance
<i>CSRcom_{i,t}</i>	= CSR Committee
<i>ESGs_{i,t} * CSRcom_{i,t}</i>	= CSR Performance*CSR Committee
<i>Bsize_{i,t}</i>	= Board Size
<i>Bdivers_{i,t}</i>	= Board Gender Diversity
<i>Bindep_{i,t}</i>	= Board Independence
<i>CEOdual_{i,t}</i>	= CEO Duality
<i>FF_{i,t}</i>	= Free Float Percentage
<i>Fsize_{i,t}</i>	= Firm Size
<i>Leverage_{i,t}</i>	= Leverage
<i>ε_{i,t}</i>	= Error Term

The hypothesis proposed in this study aims to prove the effect of CSR performance on companies' financial performance and to analyze the moderation of the CSR committees on the relationship between CSR performance and companies' financial performance in Indonesia. Based on the research model that has been constructed, the following are the statistical hypotheses that will be tested in the study:

Hypothesis 1.

H1_A: CSR performance has a positive and significant effect on Tobin's Q

H1_B: CSR performance has a positive and significant effect on Return on Assets

H1_C: CSR performance has a positive and significant effect on Sales Growth

Hypothesis 2.

H2_A: CSR Committees significantly moderate the effect of CSR performance on Tobin's Q

H2_B: CSR Committees significantly moderate the effect of CSR performance on Return on Assets

H2_C: CSR Committees significantly moderate the effect of CSR performance on Sales Growth

4. RESULTS AND DISCUSSION

4.1 Results

In processing the data, researchers used data from 20 non-financial companies listed on the Indonesia Stock Exchange during the research period, namely from 2013 to 2020. The variables analyzed are dependent variables, including Tobin's Q, Return on Asset (ROA), and Sales Growth, independent variables in the form of ESG values, moderation variables in the form of CSR committees, and control variables, including Board Size, Board Gender Diversity, Board Independence, CEO Duality, Free Float Percentage, Firm Size, and Leverage. In addition, the following are the descriptive statistics of the research variables:

Table 2. Descriptive Statistics

	Observations	Mean	Standard Deviation	Minimal	Maximal
Tobin's Q	160	1,66	1,56	0,4	13,85
ROA	160	11,07	12,99	-60,12	59,76
Sales Growth	160	46,20	528,50	-98,22	6684,32
ESGs	160	48,63	20,47	7,73	84,87
CSR Committee	160	0,55	0,49	0	1
Board Size	160	6,98	2,17	3	14
Board Gender Diversity	160	8,54	10,37	0	42,86
Board Independence	160	40,21	14,34	15,38	83,33
CEO Duality	160	0,04	0,20	0	1
Free Float	160	37,03	14,56	9,3	83,54
Firm Size	160	31,52	0,82	29,89	33,54
Leverage	160	52,22	27,46	12,64	187,54

Model selection test is carried out using Chow Test, Hausman Test, and Breusch Pagan Lagrange Multiplier Test. Based on the model selection test, the best model to use in processing Model 1 and 2 is the Fixed Effect Model, while the best model to use in processing Model 3 is the Random Effect Model. In addition, based on the classic assumption test, there is a violation of classic assumptions in the three models, in the form of heteroscedasticity, therefore Model 1 and 2 are processed using Robust Least Square. Furthermore, although there is a violation of classic assumptions in Model 3, because it uses Random Effect Model, Model 3 is processed using the Generalized Least Square method. The following are the results of regression test on the three research models:

Table 3. Regression Test Results

		Tobin's Q	ROA	Sales Growth
ESGs	Coefficient	0,0014 (0,0115)	0,1160* (0,0592)	1,1343 (2,4363)
CSRcom	Coefficient	0,3645 (0,6575)	-7,8918* (4,4299)	-358,7299 (380,8682)

ESGs*CSRcom	Coefficient	-0,0067 (0,0096)	0,0565 (0,0776)	6,5431 (6,6649)
Bsize	Coefficient	0,0643 (0,0794)	0,6206 (0,6206)	20,2534 (18,2638)
Bdivers	Coefficient	0,0229 (0,0417)	-0,0966 (0,0699)	-2,6906 (3,1805)
Bindep	Coefficient	-0,0001 (0,0078)	-0,0593 (0,0869)	2,4720 (2,8084)
CEOdual	Coefficient	0,6456 (0,7284)	0,7119 (1,4986)	-15,2541 (69,9245)
FF	Coefficient	-0,0108* (0,0060)	0,0939 (0,0582)	9,3061** (4,6602)
Fsize	Coefficient	-1,5554*** (0,3273)	-1,2562 (3,4827)	-52,8314 (34,4849)
Leverage	Coefficient	0,0146** (0,0057)	-0,2736*** (0,0435)	0,9384 (1,0151)
Constanta	Coefficient	49,6113*** (10,0994)	57,1887 (111,3657)	1029,8315 (997,1753)
F		4,63	25,80	-
Prob > F		0,0020	0,0000	-
Wald Chi-Square		-	-	69,56
Chi-Square		-	-	0,0000
N		160	160	160
R ²		0,1235	0,0841	0,1098

* p < 0,1; ** p < 0,05; ***p < 0,01

4.2 Discussion

4.2.1 CSR Performance and Tobin's Q

CSR performance has an insignificant effect on Tobin's Q. The insignificant results of the study can be due to the market reaction in Indonesia that is not influenced by the companies' involvement in CSR activities and sustainability reporting (Junius et al., 2020). In addition, Prastiwi et al. (2018) argue that the market participants in Indonesia are not particularly interested in non-financial information in the investment decision-making process. In other words, investors rely more on financial information rather than on non-financial information. Furthermore, it is suspected that information and knowledge about CSR activities and sustainability reporting have not been developed in ASEAN, especially in Indonesia, so it is not considered as a determinant in influencing market decision (Junius et al., 2020).

4.2.2 CSR Performance and Return on Asset

CSR performance has a positive and significant effect on Return on Assets at a significant level of 10%. The positive and significant result is aligned with stakeholders' theory and legitimacy theory. In addition, Mishra & Suar (2010) argued that profitable CSR satisfies key stakeholders to create efficiency gains and cost gains that ultimately increase asset returns. With the creation of efficiency gains and cost gains, the companies experience high profitability and operational efficiency, thus increasing companies' Return on Assets.

4.2.3 CSR Performance and Sales Growth

CSR performance has an insignificant effect on Sales Growth. The insignificant results of the study can be due to the public's view of companies that implement CSR practices do not provide added value for the companies and do not influence people's decisions in purchasing a product or service (Junius et al., 2020). In addition, Gupta et al. (2013) argue that companies' sales revenues is mainly influenced by total company assets, productivity, company strategy, and investment in R&D. In other words, Indonesians perceive that the company's CSR activities do not provide added value and do not influence decisions in purchasing activities and that companies' CSR activities are not yet a determinant that affects companies' sales growth.

4.2.4 CSR Committees as Moderating Variable

CSR Committees do not significantly moderate the effect of CSR performance on Tobin's Q. Kuzey et al. (2021) argue that CSR committees can motivate investors to pay an increase in companies' share price. However, based on this research, CSR committees are alleged to not have the ability to increase shareholder's motivation. In addition, the main purpose of establishing CSR committees is for the committees to support the duties of the director's board with special emphasis on CSR activities and corporate sustainability by taking on monitoring and compliance tasks (Birindelli et al., 2018) not to increase shareholder's motivation.

CSR Committees do not significantly moderate the effect of CSR performance on Return on Assets. Khan et al. (2013) argues that CSR committees, as committees' arrangement in internal governance mechanisms, can leverage CSR performance for companies' performance. However, based on this research, CSR committees are alleged to not have the ability to utilize CSR performance for companies' performance. Furthermore, in research conducted by Kuzey et al. (2021), it was found that CSR committees cannot significantly moderate CSR performance with Return on Assets because it has a minimal role in managing companies' profits.

CSR Committees do not significantly moderate the influence of performance on Sales Growth. In research by Kuzey et al. (2021), it was found that CSR committees have not effectively achieve higher revenues from CSR activities. It is because the function of CSR committees is more symbolic than operational. After all, CSR committees generally do not have decision-making power and are not involved in implementing corporate CSR activities (Rodrigue et al., 2013). Furthermore, Kuzey et al. (2021) argue that CSR committees have a limited moderating effect between CSR performance and company financial performance.

5. CONCLUSION

This study is conducted to examine the effect of CSR performance on companies' financial performance measured using market-based performance, accounting-based performance, and sales-based measures and to examine the moderation of the CSR committee on CSR performance effect on the company's financial performance using a sample of non-financial companies listed on Indonesia Stock Exchange during the period 2013 to 2020. The research shows no significant effect between CSR performance and Tobin's Q and Sales Growth. It indicates that CSR performance has not affected the market value and sales revenues of non-financial companies listed on Indonesia Stock Exchange. Meanwhile, CSR performance and Return on Assets have a positive and significant effect. It indicates that CSR performance affected the return on assets of non-financial companies listed on Indonesia Stock Exchange. In addition, the CSR committees insignificantly moderate the effect of CSR performance measured using ESG values with the companies' financial performance measured using Tobin's Q, Return on Assets, and Sales Growth. It indicates that the CSR committees have not been found to moderate CSR performance with market value, assets return, and sales revenues of non-financial companies listed on Indonesia Stock Exchange.

Recommendation

Based on the research findings, this study is hoped to be a consideration for the company in reviewing CSR strategies and evaluating the formation of appropriate CSR committees. In line with the results of research in which CSR performance has a positive and significant influence, through CSR activities, the company can increase assets return by creating efficiency gains and costs to generate profitability and operational efficiency. In addition, learning from research that has been conducted in western states where CSR performance significantly affects companies' performance, the companies can improve the disclosure of information related to CSR activities and corporate sustainability reporting so that investors can later use a non-financial information as a determinant in making market decisions and affecting market value. Companies can also integrate CSR activities as the companies' main strategy and more than just corporate compliance to help corporate sustainability. Furthermore, the companies can evaluate the formation and existence of CSR committees in relation to their influence on financial performance. The companies can direct the objectives of the CSR committees to improve the companies' financial performance and to have operational functions in managing the companies' profits.

In addition, this research is hoped to be used as a reference for further research, especially related to the relationship of CSR performance to companies' performance and the ability of CSR committees to moderate the relationship between CSR performance and companies' performance. Further research is recommended to expand the sample or research period and add other variables

to deepen research on CSR performance and companies' performance and consider lagged variables to see the effect of trade-off theory on CSR performance on companies' performance that can be seen in the long term.

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