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Corporate Social Responsibility and Financial Performance: Insights from Manufacturing Firms Listed on the IDX

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ABSTRACT

CSR is also a program aimed at achieving sustainable development goals, as in this case, the company not only seeks benefits in terms of profits and tax contributions to the government but also provides benefits to society and the environment, especially during the COVID-19 pandemic. Objective: To understand and analyze the effect of CSR on financial performance in DER, to understand and analyze the effect of CSR on financial performance in GPM, and to understand and analyze the effect of CSR on financial performance in NPM. Method: This research is quantitative in nature, testing hypotheses on the causal effects between variables, using panel data regression analysis. The data used are secondary time series and cross-sectional data from 2015 to 2019 for 7 manufacturing companies listed on the Indonesia Stock Exchange (BEI), with model selection based on alternatives of common effect, fixed effect, and random effect. Results: The study concludes that for the independent variable DER, the best model is REM, while for the GPM variable, the best model is FEM, and for the NPM variable, the best model is CEM. Furthermore, the significant test results show that CSR significantly reduces DER, while CSR also has a significant impact on financial performance in generating both gross profit and net profit relative to sales.Recommendation: Based on the research findings, it shows that CSR contributes to financial performance, making it easier for companies to attract investors to further develop the company and provide benefits for stakeholders.

1. INTRODUCTION

CSR (Corporate Social Responsibility) has become an important part of companies today, as it is a social activity strengthened by the Indonesian Government Regulation No. 47 of 2012 regarding the social and environmental responsibility of limited liability companies. CSR is also a program aimed at achieving sustainable development goals because, in this context, companies are not only seeking benefits in terms of profit or tax contributions to the government, but also benefiting society and the environment, especially during the COVID 19 pandemic. CSR is a strategic decision made by the company, representing the organization's commitment to addressing social issues in the surrounding community and the environment. (Ramzan et al., 2021). The debate surrounding CSR has become more detailed and complex in recent years, with the development that CSR can actually make businesses more successful, profitable, and sustainable (Buckler et al., 2017).

Businesses should not only focus on profits but also promote social goals to raise social awareness and seriously take responsibility for providing employment, eliminating discrimination, and avoiding pollution (Friedman, 1970). The goal of CSR is to have a positive impact on people and the environment outside the organization, particularly during the pandemic. Both financial and non-financial organizations have a significant impact on the overall business organization. Previous studies have used non-financial factors such as corporate governance and research and development (Nuraini et al., 2020) and CSR (Akisik & Gal, 2011), while financial performance was measured using financial ratios (Nuraini et al., 2020).

One of the main issues related to CSR is how CSR activities affect the financial performance of a company. Previous research on the relationship between a company's involvement in CSR and its financial performance has shown contradictory results. However, recent studies both domestically and

internationally on this topic suggest that CSR activities have a positive effect on financial performance (Cho et al., 2019). CSR provides companies with a competitive advantage by improving their financial strength, meaning that CSR has a positive impact on financial performance (Margolis et al., 2012). Various previous studies have shown that CSR involvement, as well as its economic and financial outcomes, are highly context-dependent. The emphasis is on CSR's effectiveness as a corporate governance mechanism, achieved through gaining social legitimacy and generating capital. CSR involvement allows companies to better realize the benefits of their social activities (Hasan et al., 2018), with the expectation that it will result in positive social impacts, which in turn will improve financial performance by generating profits that can be reinvested into CSR, creating a cycle of sustainability.

The urgency of this research stems from the increasing demands on manufacturing companies in Indonesia to integrate Corporate Social Responsibility (CSR) not only as a regulatory obligation, but also as a business strategy that contributes to financial performance. Although CSR has been regulated through Government Regulation No. 47 of 2012, there is still a perception that CSR is a cost burden, so that its economic benefits have not been fully understood empirically.

In addition, previous research findings on the effect of CSR on financial performance show mixed and contextual results, especially in developing countries. These differences emphasize the need for more specific empirical studies on the Indonesian manufacturing sector using comprehensive financial performance indicators. Therefore, this study is important to examine the effect of CSR on the funding structure and profitability of companies through the DER, GPM, and NPM ratios, so that it can contribute academically and serve as a basis for managerial and investor considerations in assessing CSR as a strategic investment that supports corporate sustainability.

Based on previous research and issues related to CSR and its various impacts social, economic, financial, and legal this study aims to examine its impact on financial performance, which includes the Debt to Equity Ratio (DER), Gross Profit Margin (GPM), and Net Profit Margin (NPM), which are financial ratios (Mayliza et al., 2020). The companies studied are from the manufacturing subsector listed on the Indonesia Stock Exchange over a five-year period, from 2015 to 2019. Financial performance serves as a fundamental measure of a company, and this study will explore whether CSR impacts the financial performance of companies.

2. THE PROPOSED METHOD

Financial Performance

Financial performance refers to ratios that measure profitability, liquidity, and solvency, acting as the most significant indicators. The order of their importance is unclear because nearly every study cites different ratios as the most effective indication of potential issues (Altman, 1968). Financial statement analysis using financial ratios is employed to determine a company’s financial condition and assess the current management performance, whether it has achieved the set targets or not (Kasmir, 2015). Information derived from the four basic financial statements is crucial in measuring relative financial performance. Financial ratios are a method of calculating and interpreting the results of financial ratios to analyze and monitor a company's performance (Zutter, Chad J.; Smart, 2019). There are five common techniques for analyzing financial statements using financial ratios: liquidity ratios, activity ratios, debt ratios, profitability ratios, and market ratios.

1. Liquidity Ratio

The liquidity ratio is a ratio that measures a company's short-term liquidity ability by looking at the size of current assets relative to current liabilities.

Current Ratio:
Measures the company's ability to meet short-term debts (due within one year) using its current assets.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

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A low current ratio indicates low short-term liquidity. A high current ratio indicates an excess of current assets.

2. Activity Ratio

The activity ratio measures the efficiency of asset usage by the company.
Total Asset Turnover (TATO):
Measures the company's ability to generate sales based on the total assets it owns.
The higher the asset turnover, the more effective the company is in managing its assets.

3. Debt Ratio

$$\text{TATO} : \frac{\text{Sales}}{\text{Total Assets}}$$

The debt ratio measures the company's ability to meet its long-term obligations. A company that is not solvent is one whose total debts exceed its total assets.
Debt To Equity Ratio (DER): Measures the extent to which total debt is used from the total equity owned by the company.

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

High debt usage will increase profitability, but on the other hand, high debt will increase risk.

4. Profitability Ratio

The profitability ratio is used to measure the effectiveness of management, shown by the profits generated from the company's sales and investments. There are two types – the first shows profitability in relation to sales, and the second shows profitability in relation to investments. Together, these two types of profitability ratios demonstrate the effectiveness of the company's operations. The ratio is Gross Profit Margin calculated as follows (Mayliza et al., 2020):

$$\text{GPM} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

The Net Profit Margin (NPM) ratio is the final result of a company's operations over a period and is an effective indicator to draw conclusions about the company's management ability. This ratio shows how much net profit is obtained from each unit of sales in currency. It is the ratio of net profit to net sales, calculated as follows:

$$\text{NPM} = \frac{\text{Net Income}}{\text{Net Sales}}$$

Corporate Social Responsibility (CSR)

CSR over the past 30 years has shown its rise both as a corporate practice and as an academic research subject in the form of corporate strategies and reports, as well as academic disciplines and publications. The CSR profile has evolved with definitions and characteristics being debated, while the relevance of activities, programs, benefits, and costs continues to be researched and theorized. A large number of related standards have been developed and applied as benchmarks, such as the UN Global Compact, ILO Conventions, the ISO 14000 series, ISO 26000, and the Global Reporting Initiative (Buckler, 2017). In Indonesia, CSR is reinforced by the Indonesian Government Regulation No. 47 of 2012 concerning the social and environmental responsibility of limited liability companies.

CSR has become a popular research field in financial literature over several decades. Most previous research has focused on exploring the impact of CSR on company performance. However, it is important to note that, while the impact of CSR on profitability has been found to be positive by the majority of studies, some have also found an inverse relationship between CSR and profitability. (Zhou, Shan Shan ; Pan, Wei-Hwa ; Wang, 2015) studied the impact of CSR in the context of China and showed that it has a positive relationship with company financial performance.

Other studies found that CSR has a positive impact, using CSR dimensions as independent variables and Return on Assets (ROA) as the dependent variable (Cavaco & Crifo, 2014). An analysis of shareholder reactions to corporate involvement in CSR activities found positive results, as well as a relationship between CSR and financial performance, with shareholders reacting positively to environmentally friendly initiatives (Flammer, 2013), The same research concluded that there is a positive influence of CSR on firm value (Sheikh, 2018).

The impact of CSR on financial performance in both small and medium-sized enterprises and manufacturing industries in Australia, measured through managers' perceptions of CSR and financial performance based on ROA and NPM, found that CSR had a positive impact on financial performance and that company size had a significant positive effect on financial performance (Ann et al., 2012). The impact of CSR in developing countries found a positive and significant relationship between CSR and financial performance (Marte et al., 2012).

Theoretical Framework

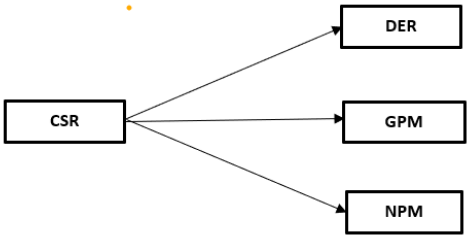

Fig 1. Conceptual Framework

Hypothesis

Based on previous research and the theoretical framework, the hypothesis is formulated as follows:

H_1 : It is suspected that there is an influence of CSR on financial performance in terms of DER.
H_2 : It is suspected that there is an influence of CSR on financial performance in terms of GPM.
H_3 : It is suspected that there is an influence of CSR on financial performance in terms of NPM

3. RESULTS AND DISCUSSION

Research Design

This type of research is quantitative, which tests the hypothesis of causal effects between variables, specifically between the independent and dependent variables (Ghozali, 2016). The research method used in this study is panel data regression analysis, which examines the effect of the independent variable, CSR, on its dependent variables, which are financial performance indicators consisting of DER, GPM, and NPM. The data used is secondary time-series data from 2015 to 2019, with 7 manufacturing companies listed on the Indonesia Stock Exchange (IDX), selected based on the research criteria. This study will also test the significance level of the independent variables on the dependent variables according to their characteristics and time, utilizing common effect, fixed effect, and random effect models to determine the best model (Ekananda, 2016) and its significance.

Variables and Measurement

Dependent Variable (Financial Performance)

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a. Debt Equity Ratio (DER)Variable

$$\textbf{DER} = \frac{\text{Total Liabilites}}{\text{Total Equity}}$$

b. Gross Profit Margin Variable

$$\textbf{GPM} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

c. Net Profit Margin Variable

$$\textbf{NPM} = \frac{\text{Net Profit}}{\text{Net Sales}}$$

Independent Variable: Corporate Social Responsibility (CSR)

CSR is about how companies manage their business processes to create a positive overall impact on society, measured by the CSRI :

$$\textbf{C j} = \frac{\Sigma Xi}{Nj}$$

Cj = Corporate Social Responsibility Index of company j
ΣXi = The total score with the criteria for item 1: 1 if item i is disclosed, and 0 if item i is not disclosed.
Nj = The maximum number of items for company j is nj : 91

The CSRI is determined based on the Global Reporting Initiative (GRI) G4, which is a guideline created by an organization for reporting and disclosing corporate sustainability reports regarding various benefits to the company and stakeholders. It is used as a framework for future performance, aiming to achieve mutual benefits in economic (Profit), social (People), and environmental (Planet) aspects. GRI was established by the nonprofit organization Coalition for Environmentally Responsible Economies (CERES) and the Tellus Institute, with support from the United Nations Environment Programme (UNEP) in 1997. GRI is a multi-stakeholder, network-based organization. The central secretariat is located in Amsterdam, the Netherlands. The secretariat acts as a liaison to coordinate activities among the many GRI network partners (GRI-G4, 2016). In this research, the aspect used in CSR is the economic category, along with the GRI G4 indicators for the economic category :

Table 1. Global Reporting Intiative (GRI) Indicators G4

Economic Performance	**EC1**	**Direct economic value generated**
	EC2	Financial implications and risks, as well as opportunities
	EC3	Coverage of the organization's obligations under the program
	EC4	Financial assistance received
Market Presence	EC5	Ratio of entry-level employee wages by gender compared to the regional minimum wage at significant operational locations
	EC6	Comparison and impact of infrastructure investments and services provided
Indirect Economic Impacts	EC7	Development and impact of infrastructure investments and services provided
	EC8	Significant indirect economic impacts, including the magnitude of the impact
Procurement Practices	EC9	Comparison of local supplier purchases in significant operations

Source : GRI G4

Sample Selection Method

The sample selection in this study uses the purposive sampling method, which is based on criteria according to the data needs and research variables. The criteria used are as follows:

1. Manufacturing sub-sector companies listed on the Indonesia Stock Exchange (BEI) during the period of 2015–2019
2. Companies that have the variables required for the research, which include: DER, GPM, NPM, and CSR
3. The currency used is the Rupiah

Data Testing Method

Data testing in this study uses several analyses, including (Ekananda, 2019):

1. Descriptive analysis, which describes the average value, minimum value, maximum value, and standard deviation.
2. Multiple regression analysis with panel data, which produces regression equations consisting of the common effect model (CEM), fixed effect model (FEM), and random effect model (REM).
3. Testing for the best model among CEM, FEM, and REM using three tests: the Chow test (to choose between CEM and FEM), the Hausman test (to choose between FEM and REM), and the Lagrange Multiplier test (to choose between REM and CEM).
4. Classical assumption tests, to assess the feasibility of regression, including tests for normality, multicollinearity, heteroskedasticity, and autocorrelation.
5. Goodness of fit test, to test the model's compatibility using R2 and F tests
6. T-test, to test the significant influence of independent variables on the dependent variable

Research Model

The multiple regression equation model in this study, with dependent variables of financial performance (DER, GPM, and NPM) and the independent variable CSR, results in four regression equations as follows:

$$DER = \alpha + \beta_1 CSR + € \quad (1)$$

$$GPM = \alpha + \eta_1 CSR + € \quad (2)$$

$$NPM = \alpha + \pi_1 CSR + € \quad (3)$$

4. RESULT AND DISCUSSION

Description of the Research Object

The data in this study can be described in terms of each variable, showing the minimum and maximum values for the companies.

	CSR	DER	GPM	NPM
Mean	0.047619	0.946601	3.105375	2.073461
Median	0.043956	0.62	0.163713	0.107736
Maximum	0.098901	2.43	37.71	17.35
Minimum	0	0.22	-0.13776	-6.9
Std. Deviasi	0.02858	0.624188	9.338509	4.883803
Skewness	-0.21173	0.855805	2.843805	1.845244
Kurtosis	2.187419	2.592783	9.30917	6.053794
Jarque-Bera	1.469305	5.417016	126.2704	40.15438
Probability	0.479672	0.066636	0	0
Sum	2	39.75722	130.4258	87.08537
Sum Sq. Dev.	0.03349	15.97402	3575.518	977.9127
Observations	42	42	42	42

Fig.2 Data Description of Variables
Source : Statistical Data Processing Results

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The CSR variable has a minimum value of 0 for the companies NIKL and SMCB in 2016, 2017, and 2018, and a maximum value of 0.098901 for the company SMGR in 2016, 2017, and 2018. The DER variable has a minimum value of 0.22 for the company CINT in 2016, while the maximum value is 2.43 for the company NIKL in 2018. The GPM variable has a minimum value of -0.13776 for the company CINT in 2021, while the maximum value is 37.71 for the company SMGR in 2016. The NPM variable has a minimum value of -6.9 for the company CAKK in 2020, while the maximum value is 17.35 for the company SMGR in 2016.

Analysis of Research Results

Based on the data processing results with multiple regression analysis of panel data, the objective is to determine the effect of CSR on financial performance in terms of DER, GPM, and NPM, consisting of three regression model equations.
Regression estimation results:

Common Effect Model

DER = 1.299649 – 7.414008 CSR (1)
GPM = -5.127199 + 172.8841 CSR (2)
NPM = -1.172046 + 68.15565 CSR (3)

Fixed Effect Model

DER = 0.948924 – 0.048783 CSR (1)
GPM = 0.860875 + 47.13449 CSR (2)
NPM = 0.020992 + 43.10186 CSR (3)

Random Effect Model

DER = 0.985847 – 0.824186 CSR (1)
GPM = -1.607720 + 98.97500 CSR (2)
NPM = -0.689448 + 58.02108 CSR (3)

Testing the Best Model in Panel Data Regression Estimation:

DER Variable

Chow Test

The hypothesis formulated is as follows:
H_0 : The appropriate model for panel data regression is the common effect model
H_1 : The appropriate model for panel data regression is the fixed effect model
H_0 is rejected if the F-value with a p-value < 0.05
Based on the hypothesis test for the DER variable, the appropriate model between CEM and FEM is FEM, as indicated by the F-value with a p-value of 0.000 < 0.05, meaning H_0 is rejected.

Hausman Test

The hypothesis formulated is as follows:
H_0 : The appropriate model for panel data regression is the random effect model
H_1 : The appropriate model for panel data regression is the fixed effect model
H_0 is rejected if the Chi-Square value with a p-value < 0.05
In Based on the hypothesis test for the DER variable, the appropriate model between FEM and REM is REM, as indicated by the Chi-Square value with a p-value of 0.1880 > 0.05, meaning H0 is accepted.

Lagrange Multiplier Test

The hypothesis formulated is as follows:
H_0 : The appropriate model for panel data regression is the common effect model
H_1 : The appropriate model for panel data regression is the random effect model
H_0 . The hypothesis is rejected if the Breusch-Pagan value has a p-value < 0.05
Based on the hypothesis test on the DER variable, between the REM and CEM models, the appropriate model is REM, as indicated by the BP value with a p-value of 0.000 < 0.05, which means rejecting H_0.

The results of the best model test conclude that the appropriate model is REM:
$DER = 0.985847 - 0.824186\ CSR$

GPM Variable

Chow test

The hypotheses are as follows:
H_0 : The appropriate model for panel data regression is the common effect model
H_1 : The appropriate model for panel data regression is the fixed effect model
H_0 is rejected if the F value has a p-value < 0.05
Based on the hypothesis test for the GPM variable, between the CEM and FEM models, the appropriate model is FEM, as indicated by the F value with a p-value of 0.0005 < 0.05, meaning rejecting H_0.

Hausman test

The hypotheses are as follows:
H_0 : The appropriate model for panel data regression is the random effect model
H_1 : The appropriate model for panel data regression is the fixed effect model
H_0 is rejected if the Chi-Square value has a p-value < 0.05
Based on the hypothesis test for the GPM variable, between the FEM and REM models, the appropriate model is FEM, as indicated by the Chi-Square value with a p-value of 0.0268 < 0.05, meaning rejecting H_0.
The results of the best model test concluded that no further testing was needed with the Lagrange Multiplier test, as the Chow and Hausman tests already indicated FEM as the appropriate model.
The model for GPM is.
$GPM = 0.860875 + 47.13449\ CSR$

NPM Variable

Chow test

The hypotheses are as follows:
H_0 : The appropriate model for panel data regression is the common effect model
H_1 : The appropriate model for panel data regression is the fixed effect model
H_0 is rejected if the F value has a p-value < 0.05
Based on the hypothesis test for the NPM variable, between the CEM and FEM models, the appropriate model is CEM, as indicated by the F value with a p-value of 0.0646 > 0.05, meaning accepting H_0.

Hausman Test

he hypotheses are as follows:
H_0 : The appropriate model for panel data regression is the common effect model
H_1 : The appropriate model for panel data regression is the fixed effect model
H_0 is rejected if the F value has a p-value < 0.05
Based on the hypothesis test for the NPM variable, between the FEM and REM models, the appropriate model is REM, as indicated by the Chi-Square value with a p-value of 0.4274 > 0.05, meaning accepting H_0.

Lagrange Multiplier Test

The hypotheses are as follows:
H_0 : The appropriate model for panel data regression is the common effect model
H_1 : The appropriate model for panel data regression is the random effect model
H_0 is rejected if the Breusch-Pagan value has a p-value < 0.05
Based on the hypothesis test for the NPM variable, between the REM and CEM models, the appropriate model is CEM, as indicated by the BP value with a p-value of 0.1273 > 0.05, meaning accepting H_0.
The results of the best model test conclude that the appropriate model is CEM:

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NPM = -1.172046 + 68.15565 CSR

The best model for the panel data regression equations for each dependent variable DER, GPM, and NPM are as follows:

DER = 0.985847 – 0.824186 The best model is REM, but the significance test shows that CEM for the CSR variable is significant, indicated by the t-test where the p-value is 0.027 < 0.05.

GPM = 0.860875 + 47.13449 The best model is FEM, while the significance tests for the CSR variable in CEM and REM are both significant, as shown by the t-test with p-values of 0.0003 < 0.05 for CEM and 0.0303 < 0.05 for REM.

NPM = -1.172046 + 68.15565 The best model is CEM, with significance tests for the CSR variable in CEM and REM both being significant, as indicated by the t-test with p-values of 0.0089 < 0.05 for CEM and 0.0415 < 0.05 for REM.

Discussion of Research Results

H_1 : There is an effect of CSR on financial performance in DER

DER = 0.985847 – 0.824186 *CSR* is the best model using REM, but the significance test shows that CSR in the CEM model is significant, as indicated by the t-test where the p-value is 0.027 < 0.05. The significant result in the CEM equation is DER = 1.299649 – 7.414008 CSR, which leads to the conclusion that an increase in CSR significantly affects the reduction in DER. In this CEM model, all companies are assumed to have the same characteristics, without considering time and company-specific differences. The best model in REM reflects a random sample of companies, with a random intercept. The findings of this study are consistent with previous research that CSR has a negative effect on the debt ratio (Cavaco & Crifo, 2014). This can happen because an increase in CSR enhances public trust, especially from investors, in the company's good prospects, which leads to an increase in investment and consequently, an increase in equity, resulting in a decrease in DER.

H_2 : There is an effect of CSR on financial performance in GPM

GPM = 0.860875 + 47.13449 shows that the best model is FEM, while the significance test for CSR in CEM and REM models is also significant, as indicated by the t-test with p-values of 0.0003 < 0.05 for CEM and 0.0303 < 0.05 for REM. The significant regression estimates in CEM are GPM = -5.127199 + 172.8841 CSR and in REM, GPM = -1.607720 + 98.97500 CSR, indicating that CSR positively influences GPM, meaning that an increase in CSR will result in an increase in GPM. This significant result holds for the CEM model, which assumes that all companies in the same period have the same characteristics, and for REM, which is a random sample of companies with a random intercept. The best model, FEM, assumes that each company has different characteristics, indicated by different intercepts for each company, with the same intercept across time but varying slopes. The findings show that increasing CSR significantly leads to an increase in gross profit relative to sales. This study aligns with previous research showing that CSR has a positive effect on profitability (Ann et al., 2012; Cavaco & Crifo, 2014; Marte et al., 2012). CSR programs are efforts by companies to improve public trust towards sustainable development goals, thereby enhancing the company's image and leading to higher profits.

H_3 : There is an effect of CSR on financial performance in NPM

NPM = -1.172046 + 68.15565 shows that the best model is CEM, and the significance test for CSR in both CEM and REM models is significant, as indicated by the t-test with p-values of 0.0089 < 0.05 for CEM and 0.0415 < 0.05 for REM. The significant regression estimates in CEM are NPM = -1.172046 + 68.15565 CSR, and in REM, NPM = -0.689448 + 58.02108 CSR, indicating that CSR positively influences NPM, meaning that an increase in CSR will result in an increase in NPM. The significant result holds for the CEM model, which assumes that all companies in the same period have the same characteristics, and for REM, which is a random sample of companies with a random intercept. The best model in CEM and the significance show that an increase in CSR leads to a significant increase in net income relative to sales. This study aligns with previous research showing that CSR has a positive effect on profitability (Ann et al., 2012; Cavaco & Crifo, 2014; Marte et al., 2012). The impact of NPM is similar to that of GPM, as both are profitability ratios, with the only difference being gross profit and net income relative to sales.

5. CONCLUSION

This study aims to examine the effect of CSR on financial performance, which consists of DER, GPM, and NPM, to determine whether CSR disclosure in companies, particularly in the manufacturing sector listed on the Indonesia Stock Exchange (BEI) during the period of 2015-2019, can improve the companies' financial performance. The equation model in this study consists of three equations with one independent variable, CSR, and three dependent variables, DER, GPM, and NPM. The selection of the best model is carried out to determine whether the companies in the equation model are considered to have the same or different characteristics over a certain period, using the research variables. The best model is selected using the Chow test, Hausman test, and Lagrange Multiplier test to choose the best model among CEM, FEM, or REM. The results of the study conclude that for the independent variable DER, the best model is REM, while for the GPM variable, the best model is FEM, and for the NPM variable, the best model is CEM. Furthermore, the significance test results show that CSR significantly reduces DER, while for financial performance in generating both gross profit and net profit relative to sales, CSR has a significant effect. This study supports several previous studies (Brdulak, 2020), (Ann et al., 2012), (Yim et al., 2019), (Cavaco & Crifo, 2014), (Cho et al., 2019), showing that CSR contributes to financial performance that supports sustainable development. CSR provides good prospects for companies through positive relationships with stakeholders, and this positive influence provides valuable information about the company that will attract investors to invest.

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