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CORPORATE SOCIAL RESPONSIBILITY (CSR) AND ITS IMPACT ON ECONOMIC VALUE ADDED (EVA): THE ROLE OF FIRM SIZE AS MODERATION

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Abstract

Corporate Social Responsibility (CSR) is widely embraced by companies in response to societal, ethical, and policy pressures, aiming to mitigate their impact on society, the economy, and the environment. However, the extent to which CSR contributes to or diminishes the value of companies across various sectors in Indonesia remains relatively unexplored. This study aims to assess the strategies adopted by corporations and to measure the influence of CSR adoption on a company's Economic Value Added (EVA). Furthermore, the author explores the role of profitability as a mediator and investigates how firm size moderates these dynamics. Through regression analysis and an examination of the mediation process, the author utilizes comprehensive datasets encompassing all sectors listed on the Indonesia Stock Exchange (IDX). Employing purposive sampling, a method carefully selected to align with the specific parameters of the inquiry, the study draws data from Bloomberg and Eikon, platforms provided by Thomson Reuters. To the best of the authors' knowledge, this research marks the inaugural effort to scrutinize the interplay between CSR and EVA, along with the mediating influence of profitability, within Indonesia. Additionally, the findings highlight intriguing implications for scholarly discourse, managerial practices, and policymaking.

Keywords: Corporate Social Responsibility (CSR), Economic Value Added (EVA), Firm Size, Profitability.

INTRODUCTION

Throughout history, the emphasis on expanding businesses has transformed, highlighting the importance of business stability for all enterprises. In this context, professionals in the business world are compelled to explore the realm of Corporate Social Responsibility (CSR), a burgeoning trend among global multinational corporations. The emergence of Corporate Social Responsibility (CSR) can be traced back to a range of criticisms voiced by citizens, governments, and non-governmental entities like Non-Governmental Organizations, concerning the societal and ecological impacts of business activities. This has led to a heightened awareness of the role of companies in society. Many companies, despite their significant contributions to technological and economic advancement, have faced criticism for their impact on societal concerns (Reverte, 2009). Aspects such as employee working conditions, corporate financial health, and the environment have come under scrutiny. The importance of corporate social disclosure has grown in the past two decades, partly due to increased public awareness and concern about environmental and social issues, as well as heightened media attention (Kolk, 2003).

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Professionals define CSR as a strategy employed by corporations to generate broad-ranging social, environmental, and economic benefits (Carroll, 1999). In recent years, there has been a growing recognition of CSR efforts by consumers, investors, employees, and government representatives. During this time, many enterprises have prioritized profit without adequately addressing their societal responsibilities. The core objectives of Corporate Social Responsibility (CSR) stem from a company's societal, environmental, and economic impacts. This has prompted public outcry, leading to calls for new regulations (Schiessl et al., 2022) and necessitating shifts in corporate practices to achieve CSR goals (Gonzalez-Perez, 2013). As stated by Fombrun and Shanley (1990), when a company acknowledges its social responsibilities, numerous concerns arise, including the consequences of irresponsible operations on Indonesia's environmental landscape. This includes cases like the one involving PT. Wings Surya, which violated established quality standards for liquid waste disposal, resulting in the destruction of approximately 18 hectares of communal rice and plant fields. Similarly, PT. Adi Makayasa faced temporary closure due to community concerns about air pollution linked to an organic procurement program. Additionally, the gas and mud overflow incident in Brantas Porong, Sidoarjo, East Java, in 2006 continues to be a concern, endangering 16 villages across three sub-districts and affecting economic activities within East Java (source: www.wikipedia.org). This incident was related to gas extraction activities by PT. Lapindo Brantas, as reported in the CSR Indonesia Newsletter of 2008.

This incident also resulted in significant financial losses for PT. Lapindo, amounting to trillions of rupiah, and led to the imprisonment of several individuals involved. Another illustrative example involves the Kendang Mountain community, which faced water contamination due to mining activities (source: www.mongabay.co.id). Many enterprises struggle to maintain their existence as they neglect environmental repercussions. Environmental damage motivates various stakeholders, both local and global, to demand increased environmental accountability from companies. This pressure forces companies to embrace the concept of Corporate Social Responsibility (CSR) as a means to ensure the sustainability of their operations. There is also an ongoing discussion about the relationship between CSR and firm size (Fatemi et al., 2018). Moreover, although CSR and organizational performance are closely linked (Doreen McBarnet, 2007; Jo & Harjoto, 2011), there is limited research examining the influence in the business context (Eccles et al., 2014; Fatemi et al., 2018). In comparison to previous research, this study found several businesses in Indonesia listed on the IDX market that increased, and the research period was from 2016 to 2021.

According to (Henri Servaes, 2021), there exists a positive association between CSR and a company's size in enterprises with a substantial customer base. Conversely, this relationship tends to be either negative or insignificant for companies with fewer customers (Nekhili et al., 2017). They examined the moderating influence of collective behavior within the domain of Corporate Social Responsibility (CSR) and the prevailing market conditions within enterprises. They observed that family-related businesses demonstrate a favorable correlation between market-driven financial performance and their dedication to CSR, while non-family-related businesses exhibit an adverse correlation between their CSR commitments and market performance. In a study focused on developing nations, Malarvizhi & Matta (2016) highlight

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the evolution of CSR into a pivotal business concept. A global survey reveals that 76% of managerial personnel understand the positive impact of CSR on future stock prices, and 55% of managers agree that long-term sustainability enhances businesses' reputation McKinsey (2011) in (SR Weshah, AA Dahiyat, 2018). Engagement in Corporate Social Responsibility can be contentious due to the need for companies to allocate substantial investments or additional expenditures, which can transform into opportunity costs (Jamali & Mirshak, 2007).

In Indonesia, Corporate Social Responsibility (CSR) initiatives are categorized into two distinct types: voluntary and mandatory. Voluntary CSR initiatives are carried out at the discretion of the company, signifying a more prevalent association of CSR with business objectives compared to local regulations in Indonesia, which tend to vary. In contrast, mandatory CSR activities are required to be included in a Social Responsibility Disclosure Report. This requirement is specified in a Government Regulation that mandates publicly listed companies to produce a sustainability report in accordance with Article 66 Paragraph 2 of Law No. 40 of 2007 concerning the limitations of companies.

According to Kotler and Nancey, CSR serves as an incentive for businesses to create societal opportunities through effective business endeavors and contributions from influential corporate leaders. In the view of Broadstock (2019), Corporate Social Responsibility (CSR) assumes significance as a tool actively integrated into various management courses, product innovation, green innovation (Shahzad et al., 2020), and financial management (Long et al., 2020). By the government, the general population, and academics. However, the connection between Corporate Social Responsibility (CSR) and the augmentation of Economic Value Added (EVA) and profitability remains less clear to many.

Prominent corporations play a pivotal role in propelling economic, societal, and innovative advancements across numerous nations (Bellandi, 2001; Doh et al., 2016). As an illustration, Apple has cultivated an ecosystem encompassing shareholders and app developers while also implementing measures to curtail its environmental footprint and enhance education, accessibility, and inclusivity. These attributes underscore the profound societal significance of large enterprises, necessitating thorough consideration. Various metrics can quantify the value added by such entities. Additionally, Apple stands as the world's largest employer in terms of market capitalization, boasting 80,000 direct employees and generating 1,980,000 indirect job opportunities (Apple, 2021). Economic Value Added (EVA) stands as a frequently employed evaluative tool. Thus, the objective of this study is to assess corporate strategies linked to CSR and their impact on the EVA of Indonesian companies (Schiessl & Korelo, 2021; Suripto, 2020). In Indonesia, an increasing number of businesses are engaged in fierce competition, vying to achieve maximal profits in order to enhance company performance. Investors often scrutinize a company's earnings before considering investment in its shares.

The author suggests that Profitability serves as the most pertinent variable for gauging this influence, mainly due to the dearth of literature explaining the mechanism underlying the impact of Corporate Social Responsibility (CSR) on Economic Value Added (EVA). Emphasis must be placed on organizing Profitability to ensure consistent returns for the initiating organization. An unfavorable environmental track record correlates negatively with the

The Seybold Report
ISSN 1533-9211
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valuation of a company's intangible assets, as indicated by (Konar & Cohen, 2001). Environmental transparency can lead to a reduction in a company's cost of equity capital, as asserted by (Dhaliwal et al., 2014). According to (Clarkson et al., 2013), contend that businesses fostering robust environmental ties can achieve above-average profitability or Return on Assets (ROA). According to businesses fostering robust environmental ties can achieve above-average profitability or Return on Assets (ROA). According to (Harjoto et al., 2015), Corporate Social Responsibility (CSR) initiatives can influence evaluations of earnings projections, stock market volatility, and capital costs, concurrently with an expansion in company size. (Yadav, 2016) demonstrates that businesses with higher risk profiles elicit favorable outcomes within the stock market realm. Investors interpret this information as affirmative news indicative of significant and beneficial extraordinary events.

Given the ongoing disparity in research outcomes concerning whether Corporate Social Responsibility (CSR) truly influences company profitability, particularly for Indonesian companies, this thesis delves into the impact of CSR performance on Indonesian firms listed on the Indonesia Stock Exchange (IDX) between 2016 and 2021. The study assesses how CSR performance impacts financial performance, represented by profitability (ROA), while also examining the interplay between CSR performance and Economic Value Added (EVA), with Firm Size serving as a moderating factor. Diverging from prior research in Indonesia, where CSR studies adhered to GRI standards, this investigation evaluates CSR based on the recently introduced CSR Disclosure Score by Thomson Reuters. The rationale for utilizing the CSR Disclosure Score lies in the fact that a majority of Indonesian businesses do not fully implement comprehensive Corporate Social Responsibility (CSR) in line with GRI data. This approach is deemed more precise for evaluating corporate social responsibility performance than the CSR Disclosure Score assessment.

LITERATURE REVIEWS

Previous studies that explored the correlation between CSR disclosure and its influence on Economic Value Added (EVA), while considering firm size as a moderating factor and profitability as a mediating factor, have yielded a range of distinct outcomes and conclusions. The results from these investigations span a spectrum of directions, including positive, negative, and neutral (nonexistent) impacts on the link between CSR disclosure and EVA.

The Effect of Corporate Social Responsibility on Economic Value Added (EVA)

Based on the theories of legitimacy, signaling, and stakeholders, companies that proficiently implement CSR can construct a favorable image, enhance their legitimacy, and garner stakeholder support. This, in turn, can positively impact the company's Economic Value Added (EVA). CSR reflects a company's commitment to addressing deficiencies and contributing to various domains, including environmental sustainability. Through adept CSR implementation, companies can generate value for both consumers and shareholders, bolster their reputation, and secure backing and collaboration from stakeholders.

The Seybold REPORT

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In previous scholarly works, considerable focus has been placed on investigating the financial outcomes resulting from companies' adoption of CSR, primarily aligned with the overarching goal of creating value and returns for shareholders (Kitzmueller & Shimshack, 2012). However, beyond value creation for the company, expectations encompass the maintenance of environmental sustainability, community support, and contributions to the economy (McWilliams, 2016; Windsor & Windsor, 2006).

Within this study, Economic Value Added (EVA) serves as a measure to assess the company's comprehensive financial performance. EVA highlights the value generated by the company for shareholders during a specific time frame (Jakub et al., 2015; Tortella & Brusco, 2003). EVA aids both companies and shareholders in effectively appraising company performance and identifying investment opportunities (Tortella & Brusco, 2003). Through EVA, companies enhance shareholder value when Net Operating Profit after Tax (NOPAT) exceeds the invested capital and the Weighted Average Cost of Capital (WACC). However, if WACC surpasses NOPAT, shareholder value diminishes (Windsor & Windsor, 2006).

In this context, EVA can be used to evaluate company performance, examine stock performance, assist company decision making in the long term, and evaluate the impact of environmental and social strategies on company performance In this context, EVA serves multiple purposes, including evaluating company performance, analyzing stock performance, facilitating long-term decision-making, and assessing the influence of environmental and social strategies on company performance (Guermat et al., 2019; Nabilah Rahma & Hersugondo, 2022; R.K. Mittal, 2012; Shishany et al., 2020; Subedi & Farazmand, 2020). Therefore, this study aims to analyze how the CSR strategy affects company EVA as an indicator of CSR's effectiveness in generating value for the company.

The moderator role of firm size with Corporate Social Responsibility (CSR) and Economic Value Added (EVA)

Larger company sizes possess enhanced resources to effectively manage CSR initiatives (Grimstad et al., 2020). To be more specific, firm size exerts a positive influence on all facets of CSR (Jouini & Messai, 2020). This phenomenon can be elucidated by the heightened synergy between CSR and other domains within large enterprises, resulting in improved financial performance (Audia & Greve, 2006; Sánchez-torné & Alvarez, 2020). This rationale is further substantiated by pertinent theories, notably legitimacy theory, signal theory, and stakeholder theory. Within legitimacy theory, companies adopt CSR to address societal pressures and establish legitimacy. In the broader scope, the interplay between CSR and Economic Value Added (EVA) can be shaped by legitimacy theory, signal theory, and stakeholder theory, with firm size serving as a moderating factor. Larger corporations possess augmented resources to invest in expansive and sustainable CSR initiatives, gain superior access to financial resources, and cultivate a commendable reputation for their social and environmental responsibility (Karlsson, 2021; Nabilah Rahma & Hersugondo, 2022; Schiessl et al., 2022). Companies are viewed as entities that prioritize not only profits but also the interests of stakeholders. One avenue through which companies fulfill their obligations to stakeholders is by implementing CSR initiatives. CSR allows companies to cultivate a positive

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image and foster a favorable business milieu. Amplified public trust in companies can consequently lead to enhanced product sales and, ultimately, bolster company profitability, as assessed using Return on Assets (ROA). Heightened company profitability is achieved through operational endeavors that generate value. The financial performance of a company advances when it successfully increases its corporate value or EVA. Nevertheless, a surge in post-tax operating profit doesn't inherently escalate EVA value, as such an increase could heighten business risk if it stems from investments in new ventures rather than internal efficiency gains (Kurfi et al, 2017). Additionally, firm size exerts an influence on company profitability (Broadstock, 2019; Shahzad et al., 2020). In this context, legitimacy theory, signal theory, and stakeholder theory converge to influence the correlation between CSR and profitability (ROA), through the moderating lens of firm size.

Profitability mediating role between Corporate Social Responsibility (CSR) and Economic Value Added (EVA)

The concept of profitability or the ability of a company to generate profits, has become an important concern in a global or international context. In the era of globalization and economic interdependence between countries, profitability is a very relevant factor in company competition at the international level. This can be interpreted that the profits generated by a company do not only have an impact locally, but also have broader implications in a global context. Today's companies are increasingly realizing the importance of paying attention to their profitability in an international scope, following the trends and requirements prevailing in the global market. Thus, companies must consider international factors, such as compliance with CSR standards in their efforts to increase profitability. In this context, companies need to develop business strategies that take into account global aspects and integrate socially and environmentally responsible business practices, in order to succeed at the international level. CSR is one of the bases for taking voluntary action by companies. The most significant impacts on the environment and society from company operations occur in a few companies.

CSR has developed into a crucial business concept. 55% of managers believe that long-term sustainability will help companies to build a strong reputation in the market, increasing profitability (Broadstock et al., 2020; Harjoto et al., 2015; Shahzad et al., 2020). According to McKinsey (2011) in SR Weshah, AA Dahiyat (2018) CSR disclosure and activities are controversial because companies are required to make significant investments or pay a small fee; if not, these costs can become the company's opportunity costs, it will definitely affect the company's profitability so that in a skeptical view according to Jamali & Mirshak (2007) the principle of Corporate Social Responsibility is contrary to the objectives and industrial business practices that aim to generate wealth or profitability.

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RESULTS AND DISCUSSION

Table 1: Process Hayes results comparison

***Indirects* effects CSR -> ROA -> EVA**			**SIZE**	**effects**	**BootSE**	**BootLLCI**	**BootULCI**
			-1,406	0.2665	0.0521	0.0059	0.023
			0	0.1943	0.0141	0.0038	0.015
			1.4063	0.1212	0.008	0.0021	0.009
Direct Effects Outcomes	**R**	**R-sq**	**MSE**	**F**	**df1**	**df2**	**p.s**
EVA	0.7800	0.6100	9.3803	0.6130	4	401	0.0000
ROA	0.3532	0.1248	52.8567	19.1033	3	402	0.0000
	Variable	**Coefficient**	**Standard Error**	**t-value**	**p-values**	**Lower Limit (LLCI)**	**Upper Limit (ULCI)**
EVA	Constant	0.2517	0.2022	1.2448	0.0000	-0.1458	0.6492
	CSR	0.0010	0.015	0.6460	0.0000	-0.0286	0.0306
	ROA	0.0026	0.021	0.1258	0.0000	-0.0439	0.0387
	SIZE	0.1602	0.1182	1.3551	0.0017	-0.0722	0.3926
	Int_1	0.0024	0.0109	0.2237	0.0031	-0.019	0.0239
ROA	constant	6.0512	0.3732	16.2137	0.0000	5.3175	6.7849
	CSR	0.1308	0.0351	3.7241	0.0002	0.0617	0.1998
	SIZE	1.8161	0.2656	6.8385	0.0000	0.3382	1.2940
	Int_1	0.0456	0.0258	1.7671	0.0180	0.0964	0.5100

Notes:

EVA Outcomes, Int_1 variable is the interaction between CSR and SIZE.

Test for the highest order unconditional interaction: R2-chng: 0.0001, F-value: 0.0500, df1: 1.0000, df2: 401.0000, p-value: 0.0031

ROA outcomes, Int_1 variable is the interaction between CSR and SIZE.

Test for the highest order unconditional interaction: R2-chng: 0.1248, F-value: 3.1225, df1: 1.0000, df2: 402.0000, p-value: 0.0080

The effect of Corporate Social Responsibility on Economic Value Added (EVA) is significant

Consequently, companies must take into consideration international factors, including their adherence to CSR standards, in their strategic efforts. The outcomes of this study indicate that in evaluating the validity of hypothesis 1, which examines the potential significant impact of CSR on EVA, it is crucial to assess the p-value linked with the CSR coefficient within the regression model. As detailed in Table 1, the CSR coefficient holds a value of 0.0010, accompanied by a standard error of 0.0150, a t-value of 0.6460, and a p-value of 0.0000.

In this context, an exceedingly small p-value (lower than the commonly accepted significance level, such as 0.05) indicates compelling statistical evidence to refute the null hypothesis (H0), which posits no significant effect between CSR and EVA. In simpler terms, based on the conducted regression analysis, it is substantiated that the alternative hypothesis (Ha),

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suggesting a noteworthy influence of Corporate Social Responsibility (CSR) on Economic Value Added (EVA), holds merit. Thus, considering the available data, hypothesis 1 postulating a significant CSR impact on EVA can be confidently embraced.

These findings emphasize that CSR exerts a positive and significant enhancement on a company's EVA. The connection between the outcomes of the Hayes process analysis and perceptions of legitimacy underscores companies' concerted efforts to uphold their legitimacy and standing in the eyes of stakeholders through CSR disclosure aligned with prevailing societal norms, values, and expectations. The results underscore that effective and acknowledged CSR practices positively and significantly correlate with EVA, underscoring such CSR disclosure as a means of establishing legitimacy. As a result, companies stand to gain in terms of improved reputation, stakeholder support, and potentially heightened access to resources and diversified business prospects.

In this discussion, it is evident that the outcomes stemming from the Hayes process underscore the affirmative and substantial impact of CSR disclosure on EVA. This perspective can be examined through the lenses of legitimacy theory, stakeholder theory, and signaling theory, providing insights into how adept CSR practices can enhance a company's financial performance and cultivate mutually advantageous relationships with stakeholders.

Firm Size significantly moderates the effect of Corporate Social Responsibility (CSR) on Economic Value Added (EVA).

The findings from this study illustrate that assessing the acceptability of hypothesis 2, which investigates whether Firm Size moderates the impact of Corporate Social Responsibility (CSR) on Economic Value Added (EVA), necessitates an examination of the outcomes from the interaction analysis involving CSR, SIZE, and EVA within the regression model. The data presented in Table 1 indicates the presence of an interaction variable labeled as Int_1, denoting the interaction between CSR and SIZE. However, the p-value associated with the most prominent interaction not involving the highest condition is 0.0031, which is lower than the commonly employed significance level of 0.05.

In this context, a relatively diminutive p-value signifies robust statistical evidence to dismiss the null hypothesis (H0), positing that there exists no impact of firm size as a moderator between CSR and EVA. In simpler terms, grounded in the conducted regression analysis, it becomes viable to embrace the alternative hypothesis (Ha), which asserts the influence of Firm Size as a moderator between Corporate Social Responsibility (CSR) and Economic Value Added (EVA). Thus, considering the provided data, hypothesis 2 indicating that Firm Size moderates the influence of CSR on EVA is validated. This underscores that when a company has a substantial size, the efficacy of the CSR strategy in augmenting EVA for stakeholders is higher.

Drawing from the model equation $Y = 0.2517 + 0.0010\ CSR + 0.1602\ SIZE + 0.0024\ CSR * SIZE + \varepsilon$ (equation 6; page 121), it can be deduced that firm size (SIZE) partially moderates the effect of CSR on EVA. The inclusion of the interaction term between CSR and SIZE (CSR * SIZE) in the equation indicates a partial form of moderation. The significant coefficient of

The Seybold REPORT

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0.0024 signifies that the association between CSR and EVA is not uniform, but is influenced by the size of the company (SIZE).

In essence, the impact of CSR on EVA varies contingent upon the company's size. Through this partial moderation, it becomes evident that the interplay between CSR and EVA is not solely driven by CSR itself, but is also contingent upon the company's size. In other words, the size of the company shapes the extent to which the influence of CSR affects EVA.

Firm Size significantly moderates the effect of Corporate Social Responsibility (CSR) on Profitability

Based on the outcomes of this study, the results from the analysis presented in table 1 reveal that the CSR (Corporate Social Responsibility) variable bears a coefficient of 0.1308 with a p-value of 0.0002. The SIZE variable (Firm Size) holds a coefficient of 1.8161 with a p-value of 0.0000. Additionally, the Int_1 variable (interaction between CSR and SIZE) features a coefficient of 0.0456 with a p-value of 0.0180. Furthermore, in evaluating the impact of Firm Size as a moderator between CSR and Profitability (ROA), careful consideration must be given to the significance of the Int_1 coefficient, which embodies this interaction. According to the findings in Table 1, the p-value for Int_1 stands at 0.0180, which is lower than the commonly adopted significance level of 0.05.

Consequently, relying on this analysis, it becomes feasible to reject the null hypothesis (H0), positing no effect of Firm Size as a moderator between CSR and Profitability. Instead, the alternative hypothesis (Ha) can be embraced, asserting the influence of Firm Size as a moderator between Corporate Social Responsibility (CSR) and Profitability. Thus, based on the furnished analysis outcomes, hypothesis 3, which suggests that Firm Size moderates the influence of CSR on Profitability, is substantiated. This emphasizes that firm size exhibits a robust positive correlation with ROA.

The outcomes derived from the Hayes process analysis indicate that firm size positively and significantly moderates the influence of CSR on profitability (ROA). Based on the model equation $ROA = 6.0512 + 0.1308\ CSR + 1.8161\ SIZE + 0.0456\ CSR * SIZE + \varepsilon$ (equation 7; page 128), it can be inferred that firm size (SIZE) partially moderates the influence of CSR on profitability (ROA). The inclusion of the interaction term between CSR and SIZE (CSR * SIZE) in the equation denotes a form of partial moderation. The significant coefficient of 0.0456 indicates that the association between CSR and ROA is not uniform, but is contingent upon the company's size (SIZE).

In essence, the impact of CSR on profitability varies depending on the company's size. Through this partial moderation, it is evident that the interplay between CSR and ROA is shaped not only by CSR itself but also by the company's size. In simpler terms, the company's size influences the extent to which CSR's impact affects profitability. Consequently, firm size plays a partial moderating role in the relationship between CSR and ROA.

The Seybold Report
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Profitability mediates the relationship between Corporate Social Responsibility (CSR) and Economic Value Added (EVA) significantly

The findings of this study suggest that in order to ascertain the acceptance of hypothesis 4, it is imperative to examine the confidence intervals (BootLLCI and BootULCI) for the indirect effect of CSR -> ROA -> EVA concerning the relevant SIZE values. The outcomes displayed in table 1 present three distinct SIZE values: -1.4063, 0.0000, and 1.4063. To evaluate hypothesis 4, it is crucial to concentrate on the pertinent SIZE value. For instance, for an exploration of the indirect effect of CSR -> ROA -> EVA when SIZE is 0.0000, one can observe the corresponding effect values, namely SIZE: 0.0000, Effect: 0.1943, BootSE: 0.0141, BootLLCI: 0.0038, and BootULCI: 0.0150.

The determination of hypothesis 4's acceptability hinges on whether the value 0 (indicating no indirect effect) falls within the confidence interval (BootLLCI and BootULCI). If the interval encompasses 0, hypothesis 4 cannot be embraced. Conversely, if the interval excludes 0, hypothesis 4 becomes acceptable. In this specific instance, as BootLLCI (0.0038) and BootULCI (0.0150) do not encompass the value 0, the anticipated outcome comes to fruition, permitting the acceptance of hypothesis 4. This implies that there is indeed an effect of profitability (ROA) as an intermediate mediator.

Within this study, the linkage between CSR and EVA becomes statistically significant when the SIZE value is 0.0000. This outcome underscores that heightened levels of CSR are associated with an improved company reputation and enhanced consumer loyalty. This affirmative impact subsequently contributes to increased sales, thereby augmenting the company's profitability (ROA).

The outcomes yielded by the Hayes process indicate that profitability mediates the impact of CSR on EVA in a positive and significant manner, as illustrated by the model equation $Y = 0.2517 + 0.0026*(6.0512 + 0.1308\ CSR + 1.8161\ SIZE + 0.0456\ Int\_1) + 0.1602\ SIZE + 0.0024*Int\_1$ (equation 8; page 133). It can be deduced that profitability partially mediates the influence of CSR on EVA. The results from the Hayes process further elucidate that profitability (ROA) serves as a positive and significant mediator between CSR and EVA. In terms of perceptions regarding legitimacy, companies aspire to sustain their legitimacy within the purview of society and stakeholders by implementing corporate social responsibility (CSR) initiatives.

In this context, the outcomes underscore that ROA mediates the correlation between CSR and EVA in a positive and significant manner when a company incorporates CSR practices that contribute to heightened profitability (ROA). This fosters additional legitimacy for the company in the eyes of stakeholders. Augmented profitability reinforces the perception that the company actively engages in socially responsible actions, thereby enhancing its legitimacy within society. Consequently, the positive mediation observed among CSR, ROA, and EVA underscores the company's endeavors to bolster its legitimacy through CSR initiatives, fostering positive effects on profitability.

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CONCLUSION

Prior investigations have uncovered a positive correlation between CSR and enhanced financial performance. Conversely, favorable financial performance also yields a positive impact on CSR. In this study, the researchers aim to scrutinize this relationship, akin to prior studies, but with distinct metrics for financial performance. Specifically, the researchers employ EVA as a metric to gauge the creation of corporate value for shareholders.

The primary objective of this research is to examine the influence of CSR disclosure on EVA, with the inclusion of profitability (ROA) as a mediator and firm size as a moderating factor. The dataset utilized comprises CSR reports from companies listed on the Indonesian Stock Exchange (IDX) throughout the 2016-2021 observation window. The chosen companies are also required to be registered in the Thomson Reuters and Bloomberg databases, possessing comprehensive CSR disclosure scores during the observation period. The research model is based on established frameworks (Hayes, 2013; Nabilah Rahma & Hersugondo, 2022; Schiessl et al., 2022)

The independent variable is represented by the CSR metric, while the dependent variable is EVA. A sample size of 420 IDX-listed companies for the 2016-2021 period was employed. The empirical analysis verifies Hypothesis 1 (H1), deducing that companies demonstrating robust CSR practices tend to exhibit commendable EVA performance. In other words, a company's endeavors to achieve substantial CSR levels significantly contribute to positive EVA, signifying value creation for shareholders.

The results of testing Hypothesis 2 (H2) reaffirm earlier empirical findings showcasing a favorable and significant correlation between firm size, CSR, and company EVA. Consequently, the research outcomes align with prior conclusions, highlighting firm size's role as a partial moderating variable in the association between CSR and shareholder value creation (EVA). The examination of Hypothesis 3 (H3) also reveals a positive and significant linkage between firm size, CSR, and ROA, with firm size partially moderating the connection.

Given the limited literature expounding on the mechanisms elucidating the impact of CSR on EVA, the researcher posits that profitability serves as the optimal variable to elucidate this effect, thus bridging the gap. Profitability, represented by ROA, functions as the mediating variable. The scrutiny of Hypothesis 4 (H4) concurs with prior anticipations based on research exploring the relationship between CSR and ROA, as well as ROA and EVA, demonstrating their interdependent influence. The outcomes affirm that the mediation of CSR's impact on EVA through profitability is positive and significant, with a level of partial mediation.

In essence, this research affords insights into the prevailing prioritization of shareholder well-being among Indonesian companies. Once shareholder needs are met, companies subsequently address the interests of other stakeholders. Nonetheless, it remains imperative to strike a balance between fulfilling shareholder interests and catering to other stakeholders, who also hold significant value.

The Seybold Report
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Table 2: Hypothesis Overview

hypothesis	Status
H1: The influence of Corporate Social Responsibility (CSR) on Economic Value Added (EVA) is significant.	Accepted
H2: Firm Size significantly moderates the effect of Corporate Social Responsibility (CSR) on Economic Value Added (EVA).	Accepted
H3: Firm Size significantly moderates the effect of Corporate Social Responsibility (CSR) on Profitability.	Accepted
H4: Profitability mediates the significant relationship between Corporate Social Responsibility (CSR) and Economic Value Added (EVA).	Accepted

Theoretical Implications

This study employs CSR theory to investigate the mechanisms by which CSR contributes to firms' value (EVA) and how this impact is channeled through Profitability (ROA). To the best of the researcher's knowledge, this study represents the inaugural attempt to examine this model using a secondary data approach within the context of IDX listed companies. The outcomes of this research offer valuable insights into the interrelation between CSR and EVA, thus making a significant contribution to the realms of CSR and Profitability (ROA) research.

Primarily, the researchers augment the CSR literature by introducing novel mediating variables that elucidate their influence on EVAs. It is notable that previous inquiries have largely omitted the inclusion of mediators in their regression models (Palazzo et al., 2020). For the most part, research studiesit explores the effectsdirectly from the company's CSR strategy towards EVA, only in a different context Traditionally, studies have explored the direct effects of a company's CSR strategy on EVA within varying contexts (Raimi, 2017). In bridging this gap, the present study introduces a fresh mediator pertinent to this specific context, thereby enriching the comprehension of how CSR and its related variables can be comprehensively explored.

Furthermore, the researcher meticulously evaluates all variables utilizing secondary data. Prior research underscores the significance of employing secondary data for research in the social sciences (Johnston, 2014). Secondary data not only facilitates the generalization of findings but also provides practical insights (Williams & Shepherd, 2017). In the present study, an analysis encompassing 420 companies utilizes pre-existing data from the period 2016 to 2021. This secondary market data serves as the basis for the research. The outcomes of this research yield profound insights into CSR, Profitability (ROA), Firm Size, and EVA by leveraging this form of data. Additionally, the proposed model is corroborated using this data, instilling greater confidence in future explorations employing these variables.

Moreover, the validated hypotheses reinforce the foundational theories that underpin the formulation of these hypotheses, namely legitimacy theory, signal theory, and stakeholder theory. Legitimacy theory posits that companies and society engage in a social contract that necessitates upkeep. Violation of this contract can result in a legitimacy gap, which needs to be addressed to avert conflicts detrimental to business operations (Seligson, 2002;Wilmshurst & Frost, 2000 ; Deegan, 2002), Aside from maintaining favorable relationships with pertinent stakeholders, companies must fulfill societal demands as an organizational resource. In

ISSN 1533-9211
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situations characterized by information asymmetry, companies employ specific informational cues to communicate to investors or shareholders that they possess an advantage over competitors in the market. This endeavor aims to attract investment and enhance the company's reputation and profitability (Isack and Tan, 1999;Michael Heartit, 1995; Patten, 1992; Verrecchia, 1990). One avenue for signaling is voluntary disclosure. In practice, companies frequently divulge information that surpasses obligatory legal and regulatory mandates. This practice intends to convey a signal to stakeholders that the company holds a competitive edge over rivals (Campbell & Shrives, 2001). Stakeholder theory asserts that sustaining a company's existence necessitates support from stakeholders. Companies must secure the approval of requisite stakeholders and tailor their activities to obtain this endorsement. The degree of stakeholder control is proportional to the company's adaptability (Reverte, 2009).

Managerial and Policy Implications

The outcomes and deductions of this study bear implications that can serve as practical recommendations for companies operating in Indonesia. The ensuing managerial implications of these findings are as follows:

1. Significant Impact of CSR on EVA (H1): The findings underscore the noteworthy and positive effect of CSR practices on a company's economic value, as gauged by EVA. This underscores the significance of effective CSR implementation in generating heightened economic value. Consequently, companies are urged to consider CSR as an integral facet of their overarching business strategy. By adeptly executing CSR initiatives, companies can augment their financial performance and cultivate enduring value for stakeholders. Furthermore, corporate management should imbue CSR dimensions into their strategic blueprint and earmark ample resources for these initiatives. Companies must factor in the needs, inclinations of stakeholders, as well as the favorable repercussions stemming from robust CSR practices on the company's economic value.
2. Moderation of Firm Size on Significant CSR-EVA Relationship (H2): The discovery underscores that the extent of firm size moderates the relationship between CSR and EVA in a significant and positive manner. This implies that the sway of CSR on a company's economic value may fluctuate contingent upon its size. As such, companies ought to factor in company size while devising CSR strategies. Larger firms possess augmented resources and capabilities to execute more expansive and intricate CSR endeavors, thereby engendering a more pronounced impact on economic value. Conversely, smaller firms can still adopt CSR practices tailored to their proportions to amplify their economic value. Policy-wise, larger firms should focus on comprehensive and sustainable CSR practices befitting their resources and scope, while smaller firms should channel their efforts into CSR aspects aligned with their capacities and attributes. Company management's imperative lies in evaluating the appropriate CSR strategy commensurate with the company's dimensions.
3. Firm Size Moderation on CSR-Profitability (ROA) Nexus is Notable (H3): The outcomes demonstrate that firm size similarly moderates the link between CSR and profitability (ROA) in a substantial and affirmative manner. This suggests that the impact of CSR on

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company profitability can fluctuate based on the company's size. It behooves companies to accommodate company size when formulating CSR strategies. Larger entities possess the advantage of executing more intricate CSR endeavors that profoundly affect profitability. Conversely, smaller companies can embrace CSR in proportion to their available resources to augment profitability. The pertinent policy involves larger companies harnessing the potential for bolstering profitability through efficacious CSR execution. Identifying avenues for synergy between CSR practices and corporate financial objectives becomes paramount. Conversely, smaller entities should tailor their CSR practices to the available resources, thereby optimizing their constructive influence on profitability.

4. Profitability as Mediator in CSR-EVA Relationship is Substantial (H4): This revelation underscores that profitability (ROA) functions as a significant and positive mediator in the relationship between CSR and EVA. This accentuates that commendable CSR practices can enhance company profitability, ultimately contributing to elevating the company's economic value. Companies should grasp the pivotal role played by profitability as an intermediary factor that bridges CSR practices and the company's economic value. By elevating profitability through proficient CSR practices, companies can achieve the overarching objective of sustaining enduring economic value. Another implication lies in the necessity to heighten company profitability via effective CSR initiatives. Company management is tasked with ensuring that their CSR undertakings, either directly or indirectly, advance company profitability. This could encompass selecting CSR projects aligned with core business activities, optimizing operational efficiency, mitigating risks, and amplifying competitiveness.

Collectively, these findings crystallize into policy recommendations that propel companies to seamlessly integrate effective CSR practices into their strategic landscape, account for company size when plotting CSR initiatives, augment profitability through judicious CSR practices, and ensure the affirmative interplay between CSR, profitability, and the company's economic value. These findings also furnish invaluable guidance for companies while envisioning, executing, and managing CSR programs. By tailoring CSR strategies to size, intensifying profitability efforts, and appreciating the role of economic value, companies can devise potent CSR strategies that reverberate favorably on their financial performance.

Suggestions for Future Research

This study also underscores certain constraints and prospects for future investigations. Below are some recommendations for forthcoming research endeavors pertaining to the outcomes of the conducted analysis:

1. Inclusion of Additional Contextual Variables: Subsequent studies could consider integrating further contextual variables that might influence the dynamic between CSR, EVA, firm size, and profitability. For instance, variables like industry dynamics, competitive landscape, regulatory frameworks, or market attributes could be incorporated into the analytical model, enriching the comprehension of how these relationships are moderated by the contextual backdrop.

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2. Diverse Research Approaches: Future research could adopt diverse methodologies or a blend of techniques, encompassing qualitative research, case studies, or experimental designs, to complement the statistical analyses performed. Embracing a multidisciplinary stance can further enhance the comprehension of the intricate interplay among CSR, EVA, firm size, and profitability.
3. Industry-Wide Comparison: Expanding the sample across various industries or drawing comparisons across distinct sectors could furnish deeper insights into the impact of CSR on EVA, firm size, and profitability. Furthermore, juxtaposing outcomes across countries or regions characterized by distinct regulatory environments, cultural nuances, or business practices could shed light on the varied contextual influences on CSR.
4. Holistic CSR Measurement: Future research might strive to construct a more comprehensive CSR measurement that encapsulates the social, environmental, and economic dimensions of CSR. Integrating diverse facets of CSR into a singular metric could offer a more holistic portrayal of CSR practices and their repercussions on EVA, firm size, and company profitability.
5. Long-Term Exploration: Scrutinizing the long-term relationship between CSR, EVA, firm size, and profitability could unveil the enduring impact of CSR practices on a company's financial performance. Longitudinal investigations can illuminate the temporal alterations within these relationships.
6. Geographical Expansion: Future research endeavors could extend their geographic scope by investigating the correlation between CSR, EVA, firm size, and profitability across diverse countries. This panoramic outlook could uncover the nuanced contextual elements that exert sway on these relationships in diverse global settings.
7. Causality Exploration: Employing experimental methodologies or other causality-oriented research techniques could scrutinize the causal connections among CSR, EVA, firm size, and profitability. This approach has the potential to bolster assertions concerning the direct and causal influences underpinning these variables.

By heeding these recommendations, forthcoming research can delve deeper into the intricacies of the interactions among CSR, EVA, firm size, and profitability, thereby amplifying the associated implications for businesses.

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