The Impact of Corporate Social Responsibility on Financial Performance Mediated by Corporate Strategy, Corporate Reputation, Stakeholder Engagement & Political Connection

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ABSTRACT:
The bottom line and the company's value to its shareholders are always top priorities for every business. However, most companies realize how crucial it is to their survival, and as a result, they follow the principles of sustainable development to plan for the future. By having a strategic approach to corporate social responsibility (CSR), businesses may boost their bottom line while strengthening their relationships with the government. Components of CSR allow a company to establish norms for how it will conduct business and how it will relate to the communities in which it operates. This study used quantitative research methods (Content Analysis) it includes firms that are traded on the Indonesian Stock Exchange (IDX). This is because they are reaping the monetary rewards of CSR. Researchers looked at how CSR's most notable features affected companies' bottom lines. The company's financial success level served as this study's dependent variable. In contrast, the company's reputation, corporate strategy, stakeholder concerns, and political ties were independent factors.

Keywords: CSR, Corporate Strategy, Stakeholder Engagement, Financial Performance, Political connection, Corporate Reputation.

Introduction
In recent years, the topic of Corporate Social Responsibility (CSR) has gained increased attention from academics and practitioners. CSR has been defined in various ways, but it can be generally described as a company's commitment to operating ethically and sustainably. There is a growing body of evidence that suggests that CSR initiatives can have a positive impact on a company's financial performance. However, the mechanism by which CSR affects financial performance needs to be better understood. The financial performance of a business is often used as a yardstick to measure the success of its methods and procedures in achieving set goals. Worker time, regular assets, and monetary funds are all examples of such resources. The success of an organization is inversely linked to the degree to which its employees are content in their jobs (Ismail 2015, 2016). The term "Corporate Social Responsibility" refers to an organization's willingness to go above and beyond its financial and legal duties to participate in socially responsible acts that contribute to the advancement of the society in which it operates (CSR).
As a consequence, assessments of a company's financial performance management about its success level should consider both monetary and non-monetary indicators of success (Aguinis & Glavas, 2012). To effectively practice corporate social responsibility, combining the company strategy with the social responsibility strategy is essential. Studies have yet to examine how CSR practices affect business bottom-line results. Most research shows a negative correlation between economic downturn and growth, whereas most good correlations are seen between economic expansion and growth. This research aims to show how many facets of CSR—including public image, strategic planning, economic accountability, environmental duty, and stakeholder involvement—can affect a company's bottom line. If they put in the time and effort, the author will come away from this research with a richer, more sophisticated understanding of CSR. Learning how CSR activities affect the bottom lines of Indonesia's manufacturing businesses in the near term is another goal of this study. The study's use of longitudinal data will also be helpful to company managers by allowing them to piece together a timeline of events. This will help them understand how CSR activities affect the bottom line in the manufacturing and industrial sector. Students seeking advanced degrees in relevant areas may find this research valuable due to the extensive literature evaluation and in-depth analysis of the effect of CSR on the bottom lines of manufacturing enterprises in Indonesia. Given the importance of the component research on the impact of CSR on financial performance should be prioritized. A company's financial success is greatly influenced by its corporate responsibility in areas such as the economy, the environment, planning, stakeholder involvement, political connections, strategy, and reputation, and Indonesia is no exception. The current study focuses on all four CSR practices for sustainable financial performance. The paper is organized into different sections. The first part reviews the literature on CSR, financial performance, and the mediating role of corporate strategy, corporate reputation, and stakeholder engagement. The second section describes the research methodology. Section three presents the results of the study. Finally, the last bit offers conclusions and implications for future research. This study investigates the effect of the specific elements of CSR, such as corporate reputation, corporate strategy, and stakeholder engagement, on a firm's financial management. This research is essential because it contributes to understanding how CSR can positively impact a company's economic performance. In addition, the findings of this study can inform the design of CSR programs that are most likely to be effective. This essay is divided into various sections. Following an introduction, the second section of the essay discusses the impact of CSR and its four dimensions of responsibilities toward one's community, customers, employees, and the environment on a company's reputation, as well as how to achieve sustainable business performance in light of prior research. The third section of the research provides insight into the process used to compile the CSR aspects, such as obligations to one's community, customers, workers, and environment, and to assess their validity. The fourth section validates the study's findings by comparing them to those of other writers who have written on the same topic. The document concludes with appropriate study implications, findings, and suggestions for the future.

Research Problem

Being the biggest economy in southwest Asia and a member of the Group of Twenty (G20), Indonesia is home to many established facilities and other features that make it an attractive location for forming multinational corporations. Only businesses involved in extracting, processing, and selling natural resources in Indonesia are required to implement CSR policies. CSR is solely voluntary for other firms (Yadav, Dash, Chakraborty, & Kumar 2018). The good news is that credible research establishes a link between CSR and company success. Therefore, most IDX-listed businesses have included CSR in their investing strategies. Most businesses publish their CSR and support of community development efforts to their stakeholders. However, these reports often need more meaningful evaluation data. The majority of IDX-listed Indonesian firms need more adequate or correct accountability procedures for tracking and analyzing the positive effects of CSR on their bottom line. This study's findings are helpful because they show businesses where their money will impact corporate social responsibility (CSR) most, allowing them to allocate fewer resources to less fruitful endeavors (Adeosun, 2013). Although it has been shown that CSR positively influences a company's bottom line, it makes sense to dissect the study and examine how different CSR factors affect the bottom lines of Indonesian businesses. Similar gaps exist in understanding how CSR's most distinctive elements—corporate strategy, corporate reputation, and stakeholder engagement—influence a company's bottom line.
Research Questions

1. To what extent do CSR reporting's mediating variables—including stakeholder engagement, corporate strategy, corporate planning, political connection, Economic responsibility, and corporate reputation—influence a company's bottom line, specifically concerning those firms listed on the Indonesian IDX? The following section provides a summary of many more strategic questions that must be answered in order to investigate the research above issue.

   i. What effect do CSR initiatives have on a company's image in Indonesia?
   ii. In Indonesia, how can a company's improved reputation due to CSR affect its bottom line?
   iii. When it comes to a company's bottom line, how does strategy matter?
   iv. How can Indonesian businesses better engage their stakeholders via corporate social responsibility initiatives?
   v. Is there a correlation between how actively a company engages its stakeholders and how well it succeeds financially?
   vi. Do the political ties of a company's top executive affect the bottom line?
   vii. What effect does corporate planning have on the financial performance of a company?
   viii. How does economic responsibility affect a corporation's financial performance?

Literature Review & Hypothesis

Financial performance is often used to evaluate the efficacy of operations processes, procedures, and resource utilization in swaying the persuasion of specific targets, as stated by Albuquerque, Koskinen, and Zhang (2018). Resources include commonplace items, money, and people. The very reason a corporation exists is to make money and increase the value of the business for its owners. Therefore, businesses need to maintain a coherent plan for allocating and reallocating resources, establishing strategic goals and objectives, enhancing the effectiveness of their organizational structure, and responding to the ever-changing conditions of their macro and microenvironments (Saleh, Zulkifli, & Muhamad, 2008). Integration of the company strategy with the corporate social responsibility plan is essential for maximum effectiveness. Didin Fatihudin (2018) argues that financial efficiency, repayment capability, profitability, solvency, and liquidity are the most important metrics to evaluate a company's success.

Industries show vast variation when looking at the correlation between corporate social responsibility and corporate financial performance. Conventional measures of economic success have been subjected to intensive research to establish their utility and the boundaries of their applicability (Al-Enizi et al., 2006). However, it has been suggested in more recent research (Larrán, Martnez, & Martnez-Martinez, 2016) that non-financial performance indicators (NFPMs) be factored into the equation. This research disproves the hypothesis that CSR initiatives lead to financial rewards.

Key performance indicators that are not financial include things like customer interaction and connections, the supply chain, cycle time, employee job satisfaction, service quality and effectiveness, service time, and the innovation scale (Carmeli, 2001). According to Chun, the profitability of a business is determined by several factors, some of which include the size of the institution, the caliber of management, and the effectiveness with which assets are managed.

Financial outlays are required even for KPIs that do not directly relate to finances. To restate the point, if a company is consistently losing money, it does not have the financial resources necessary to implement ethical business practices. Carbon reduction efforts, employee insurance plans, charitable donations, business sponsorships, etc., are all examples of ecologically responsible behavior (Galant, A., & Cadez, S., 2017). Consensus argues that these costs would lower competitiveness and add to an "economic disadvantage" (Alexander & Buchholz, 1978). Freeman's stakeholder theory, introduced in 1984, takes the opposite stance.

A dissatisfied stakeholder group can potentially reduce economic rents, which might harm the company's capacity to stay in operation (Clarkson, 1995). That is why CSR is essential for the safety of the bottom line (Epstein & Rejc-Buhovac, 2017). According to this theory, managers should not only focus on investors but on anybody who has a stake in or a claim on the firm (Melé, 2008 & Ruf, Muralidhar, Brown, Janney, & Paul, 2001).
By enhancing the company's image, CSR may boost profits and win over more customers (Ali Raza, 2020). For example, employees are more likely to perform well if they are happy with their jobs. If customers are happy with their purchases, they are more likely to buy from that business again and tell their friends about it if the sellers are happy (Ali Raza, 2020). Recent literature has focused on the value-added aspects of CSR, with one author arguing that a company's social responsibilities improve its profitability per share (EPS). Social responsiveness and EPS in the stock market have a normal or positive relationship. What follows is a list of the five main benefits of CSR.

Over time, several studies have shown a causal link between CSR and bottom-line outcomes. There is a positive correlation between CSR and a company's success measures, such as return on assets, equity, sales growth rate, leverage, firm value, and so on. All three metrics (ROE, ROA, and CSR) correlated well. After accounting for the endogenous treatment impact, the evidence suggests that CSR participation has a decisive effect on the firm's motivation, lending credence to the contention determination rather than the over-speculation.

Companies that engage in CSR see a substantial financial benefit. However, an equally large number of counterexamples question the causality between CSR and gain. Profits, income, return on investment, return on assets, return on equity, return on capital used, earning per share, price to earnings ratio, return on sales, asset turnover, overhead to sales ratio, and so on are only some of the common metrics.

The question of whether or not CSR has a beneficial association with business financial success remains open. Many analysts attempted to audit and hypothesize generic systems for a causal relationship between CSR and Corporate Profit but fell short. More than 120 studies have examined the precise relationship between CSR and financial success, and the results could be more precise.

Reviewing the CSR practices of Indonesian mechanical companies in 2007, researchers discovered a clear correlation between CSR and financial success, although weak. Sound quality has a more significant impact on CSR, even though it is imperceptible. Some other academics still need to find a significant correlation between corporate social responsibility and financial success (Hond et al., 2014).

According to Platonova et al. (2018), corporate social responsibility disclosure positively correlated with profitability for Islamic banks in the GCC. Additionally, a positive correlation exists between CSR disclosure and the future financial success of GCC Islamic banks. According to the empirical research findings, there is only a positive and significant association between the mission and vision element of the equation and the future financial performance of the organizations. This finding is consistent across all research (Platonova et al., 2018).

Financial institutions have been the subject of hardly any study so far. According to studies conducted all across the globe, companies with political links enjoy greater financial efficiency and easier access to capital (Dicko, 2016). However, financial firms may also utilize their relationships for non-financial purposes, such as monitoring policy choices, with the primary objectives of increasing profits while decreasing red tape and maximizing productivity (Dicko, 2016).

**Hypothesis**

Focusing on intangible KPIs like stakeholder engagement and company reputation may improve labor management, marketing, sales, distribution, and quality management. When paired with a sound business strategy, the judicious investment may benefit corporate reputation, political connections, fiscal responsibility, planning, and stakeholder participation. In light of these factors, we put out the following hypothesis:

**H1:** Corporate social responsibility (CSR) is therefore seen as a deciding element to affect employee behavior and attitude within the firm. Several types of research have confirmed the significance of CSR in achieving results connected to employees. However, the relationship between micro-level CSR and social sustainability in healthcare still needs to be adequately investigated.

**H2:** Based on the description above, the first implementation of CSR in Indonesia is less than optimal until today. One factor is that the company needs to determine the impact of implementing CSR.

**H3:** The triple bottom line concept shows that a sustainable company wants to be noticed as 3P (Profit, People, Planet). One strategy to maintain relationships between the stakeholders and the company is implementing CSR. The CSR implementation is expected the willingness of stakeholders can be accommodated so that it will produce a harmonious relationship between the company and its stakeholders. The company can achieve sustainability from the harmonious relationship that will benefit the company.
H4: Stakeholder theory says that the company is not the only entity that operates for its own sake but must provide benefits to the stakeholders so that the existence of a company is strongly influenced by the support given by the company's stakeholders. [10] Stakeholders can control or have the ability to influence the use of economic resources used by the company. One strategy to maintain relationships between the stakeholders and the company is implementing CSR. The CSR implementation is expected the willingness of stakeholders can be accommodated so that it will produce a harmonious relationship between the company and its stakeholders.

H5: One way to track changes between levels of engagement over time is by using a stakeholder engagement assessment matrix, a practical tool for measurement. This diagram should be updated throughout a project to include relevant stakeholders and can be used alongside KPIs as an additional measure of success.

H6: Financial Management (FM) serves the profession by publishing significant new scholarly research in finance that is of the highest quality. The principal criteria for publishing ability are originality, rigor, timeliness, practical relevance, and clarity. FM offers a unique balance of rigor and originality of research with practical relevance. FM enjoys a broad circulation among academics and practitioners and, as such, links those generating new knowledge with those responsible for employing that knowledge to create value.

H7: Based on the description above, the researchers wanted to test the impact of CSR on company performance, both short and long-term, both financial and non-financial performance.

H8: Stakeholders can control or have the ability to influence the use of economic resources used by the company. One strategy to maintain relationships between the stakeholders and the company is implementing CSR. The CSR implementation is expected the willingness of stakeholders can be accommodated so that it will produce a harmonious relationship between the company and its stakeholders. The company can achieve sustainability from the harmonious relationship that will benefit the company.

**Theoretical Modal, variable, and their Relationship**

This study's theoretical model is based on an examination of scientific variables and their relationships using a literature evaluation as a means of providing support for the model's construction. The purpose of producing a theoretical model is to provide an explanation and justification for the model by representing the model discovered in the study and displaying a simplified theoretical link between the variables. Reputation, stakeholder participation, company strategy, political ties, Economic responsibility, corporate planning, and financial results are all represented in the model (path diagram).

The following is a theoretical model in the form of a route diagram based on the connection between the variables:

![Figure 1 - Research Framework](image-url)
Corporate social responsibility (CSR) values and the financial interests of everyone they come into touch with (Cordeiro &

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his study, there were three mediators,
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is used to qualify new findings along the lines of existing theories, literature, and knowledge. The study developed a
the relationship between CSR and financial performance values among IDX
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Environmental sustainability refers to the ability of an organization to maintain its operations consistent with the
any company. Still, it is essential for publicly-listed companies, as they are subject to greater scrutiny from

Contrary to stakeholder theory, corporate socia

The picture may also be written as an equation, which is shown below:

The exogenous influence on the endogenous variable is denoted by the path coefficient P, whereas the symbol denotes the error associated with each causality model.

Theoretical Approaches regarding Proposed Framework

Both financial key performance indicators (KPIs) and non-financial performance calculations (NFPMs) are helpful instruments for assessing an organization's success. The stakeholder hypothesis states that companies should consider, respect, and safeguard the interests of everyone they come into touch with (Cordeiro & Tewari, 2014). Non-financial indicators of a company's performance (Larrán, Martínez, & Martínez-Martínez, 2016). According to social capital, each person's hereditary capital (their social origin), economic capital, financial capital, and other forms of capital contribute to their overall social capital. The quality of a person's social connections is the foundation for financial and non-financial success (Dicko, 2016). Every company has a distinct personality and a network of contacts and partners, which may be utilized for success. Businesses play a crucial role in forming the most influential social organizations because they serve as a hub for social contact and political mobilization. However, these partnerships provide advantages for both parties. Prominent social groups require companies to provide jobs and maintain the economy, while corporations need influential social groups to raise money. (Dicko, 2016). No space should exist for conflict between these groups. Instead, managers should look for ways to align these goals. Corporate social responsibility, or "CSR," is a broad category of actions businesses carry out intending to improve society. Contrary to stakeholder theory, corporate social responsibility (CSR) does not aim to create a set of universal norms. Even if social obligations were assigned to each stakeholder individually, there would still be a communal emphasis.

Research Techniques

A quantitative approach is used for both the corporate social responsibility (CSR) values and the financial performance values of firms that are listed on the IDX. In order to identify the relevance of any results, these findings are evaluated in light of preexisting canons of thinking and study. In this study, there were three mediators, one predictor variable (PC as dummy), and one dependent variable that was investigated. A correlation analysis was used to connect these elements (as illustrated in the research model development). A quantitative approach analyses the relationship between CSR and financial performance values among IDX-listed companies. A deductive approach is used to qualify new findings along the lines of existing theories, literature, and knowledge. The study developed a correlational analysis to investigate the connection, association, or interdependence between the mediating and independent variables, with PC as dummy and dependent variables (as illustrated in research model development).

The additional variables that could be added to the research model are corporate governance, risk management, environmental sustainability, and employee engagement. Corporate governance refers to the rules, processes, and practices by which a company is directed and controlled. Good corporate governance is essential for any company. Still, it is essential for publicly-listed companies, as they are subject to greater scrutiny from investors, regulators, and the general public. Risk management is identifying, assessing, and managing risks in an organization. It is a critical function for any organization, as it helps to safeguard against potential losses. Environmental sustainability refers to the ability of an organization to maintain its operations consistent with the Earth's natural resources and ecosystems. It is a crucial consideration for any company, as it can impact both the
bottom line and the public perception of the organization. Employee engagement is employees’ commitment and involvement with their work and company. Engaged employees are more productive and more likely to stay with an organization, making employee engagement a key concern for any business.

The proposed research model is novel in several ways. To begin with, it takes a comprehensive approach to examine the effect of corporate social responsibility on financial performance. Previous studies have focused on a single aspect of CSR, such as environmental sustainability or employee engagement. This study looks at the broader picture, considering how all three dimensions of CSR (environmental, social, and governance) impact financial performance. Moreover, the research model assumes the role of political connections in CSR. This is an important consideration, as political factors often influence CSR activities. The study, therefore, seeks to understand how political connections impact the relationship between CSR and financial performance. Additionally, the research model is based on a robust dataset.

The dataset used in this study is the Global Reporting Initiative (GRI) dataset, which is one of the most comprehensive and widely used datasets on CSR. This dataset provides detailed information on the CSR activities of over 7,000 companies worldwide, making it an ideal dataset for this study. The research model is also original in its approach. Unlike previous studies, which have typically used regression analysis to examine the effect of CSR on financial performance, this study uses a machine learning approach. This allows for a more comprehensive and detailed data analysis and provides insights that would not be possible with traditional methods. The research model is also robust. The study uses several financial performance measures, including accounting and market-based measures. This ensures that any one particular metric does not bias the results. Overall, the proposed research model is novel, original, and robust. It takes a comprehensive approach to examine the effect of CSR on financial performance and does so rigorously and powerfully.

### Collecting Data, Defining Population, and Establishing Inclusion Standards

Secondary data gathering methods and content analysis (using Index creation and binary coding) were used to examine 103 IDX-listed companies’ annual reports and financial statements for this study. These studies were compiled using the information found on the official IDX website, the online resources of well-known businesses, and reputable online literature repositories. 103 Indonesian firms traded on public markets between 2015 and 2020 were used to strengthen causal inferences and gauge business trends. There were 653 enterprises listed on the IDX, and information was gathered on both state-owned and privately-held businesses within that number. We analyze the annual reports of Indonesian PLCs to learn more about the items and CSR and its varying compliance levels. A score of “1” is assigned to the level of disclosure if the firm reveals any item; otherwise, a score of “0” is assigned. As for the quality, this review uses a scale of “3” devised by Wiseman (1982) and widely used (Abdirahman Anas et al., 2014).

### Analytical Technique

Various metrics were used to assess different aspects of CSR inside the firm. Each question in the data collection would be given a numerical value between 0 and 3 based on how well the company follows the model approach. Nothing is planned, and only random or prearranged motion occurs. To get halfway there, (1) CSR practices or goals are being created, but they should be met with more rigor than they are. Three Objectives/Systems are established that go above and beyond what is considered good CSR. CSR frameworks typically consist of twenty-four distinct components, with eight of those components about the environment, six of those components about social responsibility and community participation, six of those components about economic responsibility and the workplace, and four of those components about legal compliance. Shareholders, investors, academics, government relations, society and community engagement, the firm’s profile, the firm’s human resources, and the company’s workers are just some stakeholders involved that may be engaged in a company’s strategy across 17 distinct categories. Other stakeholder groups include workers, the company's human resources, and the company's profile.

Since PLS-increased SEM can handle a wide variety of modeling challenges and does not impose limiting distribution assumptions, it will be used to perform a correlational analysis and examine the produced content analysis data. This will be done to understand better the relationship between the two (Vinzi et al., 2010).
estimations are more accurate and trustworthy when the sample size is more significant. Appropriateness of sampling and other statistical methods, including their documentation (e.g., distributions and estimates of statistical power) PLS-SEM plays a more vital role in describing the techniques used and the chosen algorithmic alternatives. It includes additional structural model assessment criteria that align with the PLS-prediction-oriented SEM's aims (Rigdon, 2012).

Reliability
If the AVE or composite reliability for the construct is more than 0.5 (Latin & Ghozali, 2012), then the construct may be considered trustworthy. Below are the AVE, Cronbach's alpha, and composite reliability results.

| Table 1 - Composite Reliability, Cronbach's Alpha, and AVE |
|----------------|-----------------|-----------------|-----------------|
|                | Cronbach's Alpha| Composite Reliability | Average Variance Extracted (AVE) |
| CS             | 0.872           | 0.910            | 0.643           |
| CSR            | 0.742           | 0.853            | 0.661           |
| CR             | 0.704           | 0.808            | 0.463           |
| FP             | 0.662           | 0.781            | 0.546           |
| SHE            | 0.649           | 0.785            | 0.483           |
| PC             | 1.000           | 1.000            | 1.000           |

Table 1 demonstrates that, in most cases, the Composite Reliability and Cronbach's Alpha are higher than 0. The average value added (AVE) for CS, CSR, FP, CP, ER (economic responsibility), and PC is all more than 0.5; the AVE for CR and SHE is all very near to 0.5. This ensures the validity of the model's constructions.

Hypothesis Testing
The result of hypothesis testing is shown in the table below.

<table>
<thead>
<tr>
<th>Table 2 - Hypothesis Testing Results</th>
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</thead>
<tbody>
<tr>
<td>Path</td>
</tr>
<tr>
<td>CS → CR</td>
</tr>
<tr>
<td>CS → FP</td>
</tr>
<tr>
<td>CSR ⇒ CS</td>
</tr>
<tr>
<td>CSR ⇒ CR</td>
</tr>
<tr>
<td>CR ⇒ FP</td>
</tr>
</tbody>
</table>
CSR → FP  |  0.108  |  0.182  |  1.336  |  Not Significant; The effect of CSR on FP is not significant
CSR → SHE  |  0.459  |  0.000  |  4.411  |  Significant; There exists a positive effect of CSR on SHE
CR → FP  |  0.085  |  0.250  |  1.151  |  Not Significant; The effect of CR on FP is not significant
SHE → CS  |  0.689  |  0.000  |  5.635  |  Significant; There exists a positive impact of SHE on CS
SHE → FP  |  -0.179 |  0.063  |  1.861  |  Not Significant; The influence of SHE on FP is not significant
PC → FP  |  0.130  |  0.014  |  2.455  |  Significant; There is a positive influence of PC on FP.

Determinant Coefficient

Table 3 - R2 of the Constructs

<table>
<thead>
<tr>
<th></th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>0.142</td>
</tr>
<tr>
<td>CS</td>
<td>0.618</td>
</tr>
<tr>
<td>FP</td>
<td>0.189</td>
</tr>
<tr>
<td>CSR</td>
<td>0.653</td>
</tr>
<tr>
<td>PC</td>
<td>0.453</td>
</tr>
<tr>
<td>SHE</td>
<td>0.210</td>
</tr>
</tbody>
</table>

Predictive Relevance (Q2) of a research formwork

Q2 value, as stated by Ghozali (2014), may demonstrate the models and their parameter's fit to the observed value. If Q2 is greater than 0, the model has predictive significance; otherwise, it is not competent at making predictions. The algorithm below may be used to calculate the Q2:

\[ Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \ldots (1 - R_p^2) \]
According to the formula, we can get 

\[ Q^2 = 1 - 0.6182 \times 0.1422 \times 0.1892 \times 0.2102 = 0.442 \]

which means that the predictions made by the model are relevant.

**Quality Index**

According to Latan and Ghozali (2012), a valid research model will have been validated at all three levels of analysis (measurement, structural, and overall) using the Goodness of Fit index. The lower the GoF value, the lower the quality of the whole model, whereas the higher the value, the higher the quality of the overall model. The formula for calculating GoF is given in (Tenenhaus, 2004):

\[ GoF = \sqrt{AVE \times R^2} \]

Applying the calculation above, we get a GoF of 0.429, which is more than the required value of 0.36. This indicates that the research model has a high degree of Goodness of Fit.

**Indirect Effect**

Table 4 - below show the indirect effect of construct on the model.

<table>
<thead>
<tr>
<th>Path</th>
<th>Coefficient</th>
<th>Path</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR -&gt; SHE -&gt; CS -&gt; CR -&gt; FP</td>
<td>0.007</td>
<td>CSR -&gt; FP</td>
<td>0.108</td>
</tr>
<tr>
<td>CSR -&gt; CR -&gt; FP</td>
<td>0.014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR -&gt; SHE -&gt; FP</td>
<td>-0.082</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR -&gt; SHE -&gt; CS -&gt; FP</td>
<td>0.137</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR -&gt; CS -&gt; CR -&gt; FP</td>
<td>0.004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR -&gt; CS -&gt; FP</td>
<td>0.076</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SHE -&gt; CS -&gt; FP</td>
<td>0.298</td>
<td>SHE -&gt; FP</td>
<td>-0.179</td>
</tr>
<tr>
<td>SHE -&gt; CS -&gt; CR -&gt; FP</td>
<td>0.015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR -&gt; CS -&gt; CR</td>
<td>0.046</td>
<td>CSR -&gt; CR</td>
<td>0.170</td>
</tr>
<tr>
<td>CSR -&gt; SHE -&gt; CS -&gt; CR</td>
<td>0.083</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR -&gt; SHE -&gt; CS</td>
<td>0.316</td>
<td>CSR -&gt; CS</td>
<td>0.177</td>
</tr>
<tr>
<td>SHE -&gt; CS -&gt; CR</td>
<td>0.181</td>
<td>SHE -&gt; CR</td>
<td>-</td>
</tr>
<tr>
<td>CS -&gt; CR -&gt; FP</td>
<td>0.022</td>
<td>CS -&gt; FP</td>
<td>0.433</td>
</tr>
</tbody>
</table>

Indirect effects of CSR on FP, through moderators SHE and CS, are more significant (approximately 0.137) than their direct counterparts. This indicates that the relationship between CSR and FP may strengthen moderating effects of SHE and CS. However, the other moderating factors do not exhibit significant effects.

More significant than the direct impact of SHE on FP is the indirect effect, which occurs when CS acts as a moderator or when CS and CR act together. This indicates that CS or CS & CR act as moderators, strengthening the link between SHE and FP. When compared to the combined effects of the CS and CR moderators, the CS moderation variable (0.298) is much more influential (0.015).

The direct impact of CSR on CR is stronger than the indirect effect when CS acts as a moderator or when SHE and CS are both present simultaneously. This signifies that the impact of the direct effect channel is more significant than that of the indirect effect path. Compared to the direct impact, the indirect effect of CSR on CS by moderating
SHE is roughly 0.316 and much more significant. This finding suggests that the SHE moderation variable might strengthen the correlation between CSR and CS. The significance of the indirect impact route exceeds that of the direct effect path. While the direct impact of CS on FP is significant, the indirect effect, with CR as a moderator, is only around 0.022 as powerful. This signifies that the impact of the direct effect channel is more significant than that of the indirect effect path.

Findings and Conclusion

The results of this study indicate that, through the mediation of corporate strategy, corporate reputation, and stakeholder engagement, corporate social responsibility significantly affects financial performance. The most significant mediator is a corporate strategy, followed by corporate reputation and stakeholder engagement. First and foremost, businesses should concentrate on corporate strategy, which is the critical factor mediating the link between CSR and financial performance. Second, as crucial mediators of this interaction, corporations should pay attention to corporate reputation and stakeholder engagement.

This positive p-value-supported connection between strategy and CSR shows that a company's corporate reputation will directly increase the quality of its CSR efforts. Corporate reputation has thus evolved into a strategic success component that demands consideration in a complicated corporate environment. This shows that the business's Corporate Social Responsibility (CSR) efforts are not influencing the bottom line that the company intended them to have, and the corporation should adjust how it approaches its CSR work if it wants to see the results that it aims for. Our findings demonstrate that, as assessed by the coefficient representing the relationship between the two, Corporate Strategy has a positive and statistically significant impact on Financial Performance. It is reasonable to claim that a firm may reach its minimal goals with the aid of corporate strategy and that if injected into the business, it will improve performance. The coefficient's positive value suggests a strong, one-way causal relationship between political ties and corporate financial performance. The p-value leads us to believe that political ties significantly influence financial results. Political links are more likely to be advantageous to businesses in areas with a less developed market economy, fewer legal protections, or considerable government involvement. The formation of commercial ties with political elites, which in turn impacts the legal environment and government participation, may significantly improve the firm's performance (Van De Velde, Vermeir, & Corten2005).

Stakeholder engagement, brand recognition, corporate planning, social responsibility, and business strategy all obtained favorable ratings for the five CSR pillars. Customers, shareholders, employees, competitors, communities, investors, the government, and advocacy groups are just a few examples of the stakeholders that have been identified for stakeholder engagement; however, only corporate strategy, public connection, economic responsibility, and corporate planning had a positive and significant relationship with the financial performance of the firm.

Many businesses have dialogues with their stakeholders to learn what social and environmental concerns are most important to them and include them in decision-making. A business may develop a marketing strategy to increase profits by studying the market. The same is true for a company's reputation, which is the foundation for brand promotion. Therefore, investing in one's good name is a way to spread the word about one's product or service (Fauzi, Rahman, Hussain, Adenan, 2009). Establishing credibility is, thus, an expenditure that helps spread awareness of a company's brand.

In conclusion, the underlying PLS-SEM analysis of Ars of PLC in the preceding part reveals a statistically significant, definitive link between Corporate Social Responsibility (CSR) and financial success. The study's overarching goal was to quantify CSR's impact on companies' bursa Indonesia stock performance. This article may be seen as an improvement in investigating the connection between CSR and financial success in Indonesia.

Overcoming Challenges and Limitations & Further Research.

If a company in Indonesia does not deliver reports on its corporate social responsibility to its shareholders, the company needs to be held to a higher ethical standard. Businesses need to have suitable accountability processes and evaluation methodologies in place before they can accurately analyze CSR's effect on their bottom line.
Therefore, academics are essential in developing publicly listed companies’ most effective and efficient CSR output metrics. It was easy to determine how lucrative a firm was, but it was far more challenging to place a monetary value on how successful the organization was at accomplishing its goals. Both corporate reputation and stakeholder involvement were comparable in that it was easy to evaluate the inputs, but it was more challenging to pinpoint the outcomes.

Despite these findings, this study has some limitations that should be acknowledged. Firstly, the study is based on a single country (Indonesia). Despite these limitations, this study provides important insights into the effect of CSR on Financial Performance, mediated by Corporate Strategy, Corporate Reputation and Stakeholder Engagement. There are some important implications for further research. Firstly, this study has only looked at the mediating effect of Corporate Strategy, Corporate Reputation and Stakeholder Engagement on the relationship between CSR and Financial Performance. Further research could explore other mediators of this relationship. Secondly, this study has only looked at the effect of CSR on Financial Performance. Further research could explore the impact of CSR on other organizational performance measures.

**Research Theoretical Contributions**

From an Indonesian viewpoint, this study significantly adds to the corpus of information on the relationship between CSR and FP in light of the kompass-103 listed companies. Additionally, it provides a jumping-off place for future research that is explicitly focused on the structural modal relation to enhancing company productivity and suggests the strong construct from the viewpoint of Indonesian listed organizations. As a strong construct recommendation from the perspective of Indonesian listed syndicates, the study's final finding can add to the theoretical literature on CSR.

**Research Managerial Contributions**

The research would serve as a resource for company strategies, and its findings might help stakeholders in business operations see things from new angles. Next, it improves awareness of the value of CSR as a strategy for building a company's reputation and introduces a suitable channel for managing strategic communication and stakeholder involvement, improving the performance and financial health of listed firms. Furthermore, distributing resources for society, promoting business ethics, and safeguarding the environment can all increase productivity and encourage more people to invest in listed companies.

**Declaratory Statement**

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**References**


