

Revealing the Role of Earnings Management and Leverage in the CSR-Financial Performance Nexus

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Abstract—This research aims to assess the effect of corporate social responsibility on financial outcomes in IDX-listed mining sector companies and the moderating effect of earnings management and leverage. This study is based on secondary data gathered from annual and sustainability reporting documents covering the years 2021-2023, obtained from the IDX's official platform. A conceptual framework was developed based on legitimacy theory and agency theory, as well as supported by relevant prior studies. To validate the proposed model, moderation analysis was conducted using a combination of financial and non-financial informations. The model of measurement and the structural associations were performed by applying Partial Least Squares Structural Equation Modeling (PLS-SEM) with the WarpPLS software. The results show that CSR has no significant direct effect on financial performance ($\beta = 0.09$, $p = 0.24$). However, earnings management ($\beta = 0.21$, $p = 0.04$) and leverage ($\beta = 0.39$, $p < 0.01$) significantly moderate this relationship. CSR may act as a tool to mitigate reputational risks from earnings management and becomes more effective under high leverage, which pressures managers to use CSR more strategically. These findings support agency theory and highlight the conditional impact of CSR on financial outcomes. CSR may help mitigate risks from earnings management, while leverage encourages more strategic CSR implementation. This study contributes to the literature by providing empirical insights into how CSR affects financial performance in the mining sector, and how this relationship is conditioned by earnings management and leverage.

Keywords: Corporate Social Responsibility; Earnings Management; Financial Performance; Leverage; Mining Companies

1. INTRODUCTION

Corporate Social Responsibility (CSR) is now widely recognized in contemporary business operations, especially in an era when stakeholders become more attentive to the effects on society and the environment arising from company operations. CSR is more than just an obligation, but also a strategic tool for businesses to create additional benefit for investors and improve the company's reputation (Putri & Hasibuan, 2023). In conducting its operations, companies certainly interact with the surrounding environment. Operational activities in growing businesses cause social inequality and environmental damage (Angraini & Murtanto, 2023). Over time, sustainability insights have made CSR a tool for companies to build investor trust through ethical actions and social responsibility. The implementation of CSR has been further strengthened after the issuance of Law Number 40 of 2007 Concerning Limited Liability Companies, which encourages companies to implement social and environmental responsibility programs.

In the study conducted by Supriyanto & Novriyanti (2024), it was found that CSR contributes to improving a company's reputation and investment returns. CSR can attract public sympathy and affect a company's income because actions to protect the environment will bring appreciation from stakeholders (Wulan et al., 2022). The increasing number of CSR disclosures reveals that the company is responsible for regulations, local communities, and the environment. This will attract more potential investors, thereby increasing stock prices and financial performance (Islami et al., 2022). Other researchers stated that CSR does not have a significant effect on financial performance due to the lack of investor attention toward sustainability efforts in developing countries (Kusumawati et al., 2022). The disclosure of CSR does not always give a positive impact on financial success and company image because many companies avoid disclosing relevant information (Bunadi & Tarjo, 2022). High CSR costs affect product selling prices and consumer decisions, which leads to a reduction in the company's financial performance (Fahad & Busru, 2021).

The connection between CSR and financial performance is frequently affected by variables like earnings management. This action is an attempt by management to engineer financial information with accounting methods to orchestrated stakeholders' perceptions of the company's financial performance. Several researchers consider this practice may lower the reliability of financial reports and damage investor confidence if carried out aggressively (Akbar & Dewayanto, 2022; Bunadi & Tarjo, 2022; Islami et al., 2022). Other researches suggests that investors consider earnings management as an irrelevant aspect in decision making and tend focus on profitability (Kusumawati et al., 2022; Wulan et al., 2022).

Implementing CSR requires large funds, sources of funds can be obtained from external parties in the form of loans/leverage. Leverage is a debt that arises due to asset financing for operational activities and is intended to increase company income. Research by Rahmadita & Amri (2024) found that leverage can improve financial performance because interest expense can reduce taxes and increase net income. However, high leverage may lead to insolvency if the company is unable to manage leverage properly (Vernetta & Ekadjaja, 2022).

The indicator commonly used to observe a country's economic growth is the Gross Domestic Product (GDP) (Rosnawintang et al., 2020). In 2022, Indonesia's GDP increased by 1.61% from the previous year, this increase is a positive trend for the country's economy (Statistics Indonesia, 2024). The mining sector is among the industries that contribute to Indonesia's GDP growth. Data from Statistics Indonesia (2025) shows an increase in coal production from

614 million tons in 2021 to 775 million tons in 2023. However, increased productivity can result in environmental damage, pollution, degradation of natural wildlife habitats, and even the extinction of local animals (Badamfirooz et al., 2022). It is vital for mining firms to perform societal responsibilities to mitigate the impacts of their operational activities.

This study examines the extent to which CSR affects financial results of IDX-listed mining companies over the 2021-2023 timeframe and how earnings management and leverage strengthen or weaken this interaction. This topic is relevant because mining companies tend to prioritize profits and business development without considering the negative impacts that will be caused to the environment and surrounding communities (Pouresmaieli et al., 2024). This study is expected to offer a thorough understanding of how CSR relates to financial performance in the mining industry and to bridge the gap left by conflicting results in earlier research.

2. RESEARCH METHODS

2.1 Legitimacy Theory

Legitimacy theory is a sign that companies need to adapt to environmental changes while convincing the public that their activities are carried out ethically and in accordance with applicable norms (Deegan, 2002). Companies can attract public sympathy and recognition by carrying out social actions and paying taxes according to the amount set by the government (S. Dewi, 2023). This disclosure is a strategy to communicate the company's CSR performance or to influence stakeholder perceptions regarding CSR performance (Suttipun et al., 2021). This theory describes the company's commitment to paying attention to the environment, not just meeting investor expectations, but adapting to applicable community norms and values (Nguyen et al., 2021).

2.2 Agency Theory

As explained by (Jensen & Meckling, 1976), an agency relationship is formed when an investor (principal) appoints a manager (agent) to work and make decisions on behalf of the investor. Agency theory explains that one of the human traits is the tendency to prioritize personal interests over common interests. Information asymmetry can occur between investors and managers, especially financial information in the company due to differences in information accessibility between the two parties (Fitriani, 2023). Investors expect large profits at low costs because they have provided wages, financial and non-financial facilities to the managers they trust.

The high demands from investors lead to the potential for earnings management by managers to create a perception of good financial conditions. This theory discusses how to overcome conflicts of interest, including the implementation of effective governance to reduce the risk of earnings management that can disrupt company stability (Lesmono & Siregar, 2021). Conflicts of interest can also be reduced through leverage because the use of debt will reduce free cash flow that can be misused by managers for their personal interests (Aditya et al., 2020). With the obligation to pay debts and interest periodically, it encourages managers to increase profitability in order to be able to pay these obligations (Jensen, 1986).

2.3 Corporate Social Responsibility

In Law Number 40 of 2007, Corporate Social Responsibility is defined as a social responsibility that must be implemented, budgeted, and calculated according to regulations by companies whose businesses are related to natural resources. Corporate Social Responsibility represents the practice of social responsibility guided by ethical standards to contribute to enhancing community well-being (Zhang et al., 2022). Corporate Social Responsibility is categorized as a corporate's obligation to be socially responsible for natural resources that have been used in accordance with regulations (Agata et al., 2021). The Global Reporting Initiative (GRI) standard as a measuring tool for Corporate Social Responsibility disclosure has been used since 2018 in Indonesia.

2.4 Financial Performance

How effectively and efficiently management executes its duties to achieve the company's objectives is reflected by their financial performance (Nianty et al., 2023). It reflects the achievements and accomplishments of an organization's activities in a work period that aims to achieve the company's goals, long-term vision, and core mission, without breaking the law and in accordance with applicable ethics (Difinubun & Gudono, 2021). Financial performance evaluation opens up opportunities for stakeholders to understand the prospects and opportunities for company development. Financial performance aims to display the realization of financial management in an organization through analysis of financial ratios (Cholil, 2021).

2.5 Earnings Management

A change in the estimation of financial statements made by internal parties of the company with the aim of misleading stakeholders (principals) or affecting outcomes tied to specific agreements that rely on reported accounting data is considered as an earnings manipulation practice (Healy & Wahlen, 1999). This practice carried out in the short term might improve the firm's value, but if carried out in the long run, this tends to decrease the value of the firm (Riswandi & Yuniarti, 2020). Detection and mitigation actions are important for auditors to maintain the transparency of financial reporting, so that the integrity and trust of stakeholders are maintained (Rusci et al., 2021).

2.6 Leverage

The extent to which a company can meet its obligations consisting of principal debt, interest on debt, and other obligations is reflected in its leverage ratio (Sustiyatik et al., 2024). High degree of leverage indicates that the company is unable to manage its debt well. The emergence of cash flow problems and insolvency in the company can occur in the future (Heniwati & Essen, 2020). Reducing the proportion of debt financing in the composition of capital can reduce the loan interest and principal debt that must be paid, so that the company can pay off its obligations more effectively, increase future profits, and minimize the likelihood of experiencing financial difficulties and bankruptcy (Arhinful & Radmehr, 2023).

2.7 Hypothesis Development

Suchman (1995) wrote about legitimacy theory which states that corporations must use prevailing social norms and values as the basis for carrying out their business activities in order to obtain recognition/acceptance from the society. CSR is a corporate strategy to improve their image and gain trust from investors, which then improve financial performance. Previous studies have shown results that are relevant with legitimacy theory, companies that comply with regulations, rules, and norms will strengthen social reputation (Akbar & Dewayanto, 2022; P. P. R. A. Dewi et al., 2021). If the company can successfully and optimally execute the CSR program, it strengthen legitimacy and reduce the negative views towards the corporation's activities.

H1: CSR influence financial performance significantly

Agency theory states that managers that have conflicts of interest can perform earnings management in engineering short-term financial reports, this can actually make investors doubt the firm's integrity which may impact the effectiveness of CSR in optimizing financial returns (Prior et al., 2008). However, CSR can be used as a self-defense mechanism by management when unethical practice occurs such as earnings management. This method is used by management to reduce pressure due to dissatisfaction of stakeholders who are harmed by earnings management actions (Orlitzky et al., 2003; Prior et al., 2008). Earnings management causes companies to over-invest in activities considered as CSR, resulting in increased costs and reduced operational flexibility because managers tend to consider stakeholders as a justification to validate the decisions they make (Wijayanto et al., 2021). If a firm carries out earnings management aggressively, the positive outcome created by CSR to financial performance is weakened as CSR is considered as a manipulation tool.

H2: Earnings management moderates the influence of CSR on financial performance significantly

In line with agency theory, highly leveraged companies often come under pressure from creditors to meet their obligations (Jensen, 1986). Highly leveraged companies are required to provide more disclosures compared to those with lower debt (P. P. R. A. Dewi et al., 2021). These factors force managers to be more focus on creditors rather than investors, making CSR less effective in contributing to the firm's financial success (Mayer, 2021). If leverage is high, the company concentrate on paying debts, CSR wouldn't be company's priority, deminishes the significance of CSR in affecting financial performance.

H3: Leverage moderates the influence of CSR on financial performance significantly

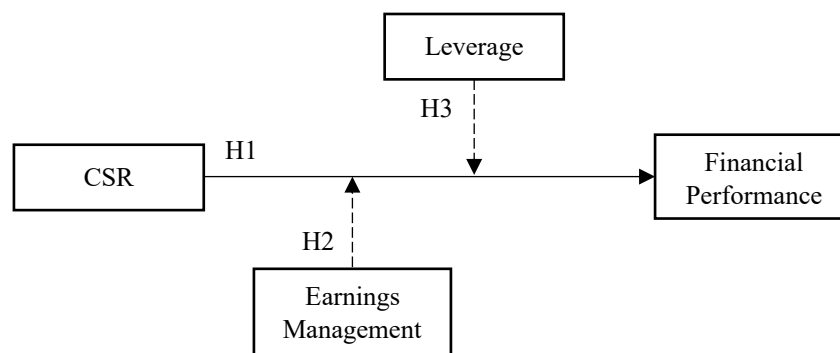


Figure 1. Conceptual Framework

Figure 1 illustrates the conceptual framework developed in this study, which is based on legitimacy theory and agency theory. The framework depicts the direct relationship between CSR and financial performance (H1), as well as the moderating roles of earnings management (H2) and leverage (H3).

2.8 Basic Research Framework

All IDX-listed mining sector companies become the population of this research in 2021-2023, totaling 75 companies. The majority of IDX-listed mining firms have yet provided sustainability reports in 2020 and have started providing sustainability reports since 2021, data from 2021-2023 is used as a sample with the expectation that the sample is able to reflect the characteristics of the whole population. The selection of the research sample was carried out through purposive

sampling, with the following criteria applied: (1) Mining corporations registered on the IDX in 2021-2023, (2) Corporations that do not disclose their annual and sustainability reports on the IDX and the company website in 2021-2023, (3) Corporations that do not provide a list of GRI indexes in their 2021-2023 sustainability reports, as detailed in Table 1. The research employs secondary data, which consists of annual and sustainability reports. The PLS-SEM approach was employed for data analysis with the help of Warp PLS, a data processing application.

Table 1. Sample Determination

No.	Descriptions	Amount
1	Mining corporations registered on the IDX in 2021-2023	75
2	Corporations that do not disclose their annual and sustainability reports on the IDX and the company website in 2021-2023	(20)
3	Companies that do not provide a list of GRI indexes in their 2021-2023 sustainability reports.	(32)
4	Mining companies selected as samples	23
5	Number of observations (23 × 3 years)	69

Before the analysis is carried out, the data is first checked to detect outliers. Detection is carried out using the Z-score method with a limit of ±3. Observations identified as outliers in a particular year are removed from the dataset, but observations of the same company in other years are still used to maintain sample strength. The total data removed is 3 observations.

The CSR variable is measured using the GRI G4 index, which is tabulated as a dummy variable and then calculated using the following formula.

$$GRI = \frac{\text{Total GRI Item Disclosed by Corporation}}{\text{Total Item in GRI G4 Index}} \quad (1)$$

The variable representing financial performance is derived from the Tobin's Q metric. This equation reflects management performance in managing company's assets.

$$\text{Tobin's Q} = \frac{\text{Market Value of Equity} + \text{Total Liabilities}}{\text{Total Assets}} \quad (2)$$

Earnings management as a moderator is measured using the discretionary accruals (DA) formula formulated by Jones (1991).

$$DA = \left(\frac{\text{Total Accruals}}{\text{Total Assets}_{t-1}} \right) - \text{Non Discretionary Accruals} \quad (3)$$

Leverage as a moderator is evaluated using the ratio of debt to assets (DAR). This ratio reflects the proportion of assets funded by the company's debt.

$$DAR = \frac{\text{Total Liabilities}}{\text{Total Assets}} \quad (4)$$

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistics

Table 2. Minimum, Maximum, Mean, and Standard Deviation

Variable	Minimum	Maximum	Mean	Std. Dev.
CSR	-1.696	1.951	0.383	0.187
Financial Performance	-1.109	4.278	1.213	0.586
Earnings Management	-1.944	2.504	0.323	0.168
Leverage	-1.720	1.851	0.465	0.211

Based on the computation of descriptive statistics in Table 2, the CSR variable ranges from a minimum of -1.696 to a maximum of 1.951, with a mean value of 0.383 and a standard deviation of 0.187. According to the descriptive statistical analysis conducted, the financial performance variable has varying values, the minimum value is -1.109 and the maximum value is 4.278, with a mean value of 1.213 and a standard deviation of 0.586. Based on the descriptive statistical calculation, the earnings management variable has a fairly extensive variety, with a minimum value of -1.944, a maximum value reaching 2.504, a mean value of 0.323 and a standard deviation of 0.168. From the descriptive statistical calculation of the table above, the leverage variable has a minimum and maximum values of -1.720 and 1.851, respectively, with a mean value of 0.465 and a standard deviation of 0.211.

3.2 Outer Model

3.2.1 Convergent Validity

The loading factor serves as an indicator to evaluate convergent validity. Convergent validity is considered achieved once the loading factor exceeds 0.5 (>0.5). When the loading factor value falls under 0.5 (<0.5), then it is said not to meet the

convergent validity criteria. According to Table 3, all measurement indicators for the variables have loading factor values above 0.5, which demonstrates each variable satisfies the criteria for convergent validity.

Table 3. Loading Factor

Variable	Loading Factor	Decision
CSR	1.000	Valid
Financial Performance	1.000	Valid
Earnings Management	1.000	Valid
Leverage	1.000	Valid

Every variable shows a loading factor value of 1.000, as each is measured using a single indicator. The CSR variable is assessed based on GRI G4 index, the financial performance variable is measured using the Tobin's Q calculation, the earnings management variable is measured using discretionary accruals, and the debt-to-asset ratio serves as an indicator for the leverage variable.

3.2.2 Discriminant Validity

Table 4. AVE Root and Coefficient of Correlation

	CSR	Financial Performance	Earnings Management	Leverage
CSR	(1.000)	-0.081	0.051	-0.129
Financial Performance	-0.081	(1.000)	0.405	-0.452
Earnings Management	0.051	0.405	(1.000)	-0.186
Leverage	-0.129	-0.452	-0.186	(1.000)

Based on the findings presented in Table 4, the AVE root of each latent variable on the diagonal of the table is greater than the correlation values of the other latent constructs. This suggests that the associations among the latent variables are relatively weak, and each latent variable is measured distinctly from the others. The CSR construct to CSR is 1, which means it is greater than the CSR value to other constructs. Likewise, the financial performance construct to financial performance, the earnings management construct to earnings management, and the leverage construct to leverage, all three also have a value of 1. From these results, it can be inferred that all indicators used to measure each latent variable have met the assumption of discriminant validity.

3.2.3 Reliability Test

In PLS, reliability can be assessed through composite reliability or Cronbach's alpha. Reliability of a variable is confirmed if the composite reliability value is over 0.7 (> 0.7) and the Cronbach's alpha exceeds 0.6 (> 0.6).

Table 5. Latent Variable Coefficients

	CSR	Financial Performance	Earnings Management	Leverage
R-squared		0.221		
Adj. R-squared		0.184		
Composite reliab.	1.000	1.000	1.000	1.000
Cronbach's alpha	1.000	1.000	1.000	1.000
Avg. var. extrac.	1.000	1.000	1.000	1.000
Full collin. VIF	1.171	1.684	1.210	1.361
Q-squared		0.246		
Min	-1.696	1.109	-1.944	-1.720
Max	1.951	4.278	2.504	1.851
Median	-0.020	-0.227	0.099	0.113
Mode	-1.226	-1.109	-1.944	-1.720
Skewness	0.034	2.175	0.249	-0.177
Exc. kurtosis	-0.978	5.538	0.069	-0.716
Unimodal-RS	Yes	Yes	Yes	Yes
Unimodal-KMV	Yes	Yes	Yes	Yes
Normal-JB	Yes	No	Yes	Yes
Normal-RJB	Yes	No	Yes	Yes
Histogram	View	View	View	View

Table 6. Composite Reliability Coefficients

Constructs	Composite Reliability Coefficients	Cronbach's Alpha Coefficients
CSR	1.000	1.000
Financial Performance	1.000	1.000

Constructs	Composite Reliability Coefficients	Cronbach's Alpha Coefficients
Earnings Management	1.000	1.000
Leverage	1.000	1.000

On Table 6, the composite reliability of each variable has a value of 1, where the reliability coefficients exceed 0.7 (>0.7) which means it is reliable/qualifies. Cronbach's alpha of each variable also has a value of 1, which is greater than 0.6 (>0.6) which means it is reliable/qualifies. According to the analysis of convergent validity, discriminant validity and reliability, this model is said to meet the criteria and is applicable in research.

3.3 Inner Model

3.3.1 Coefficient of Determination (R-Square)

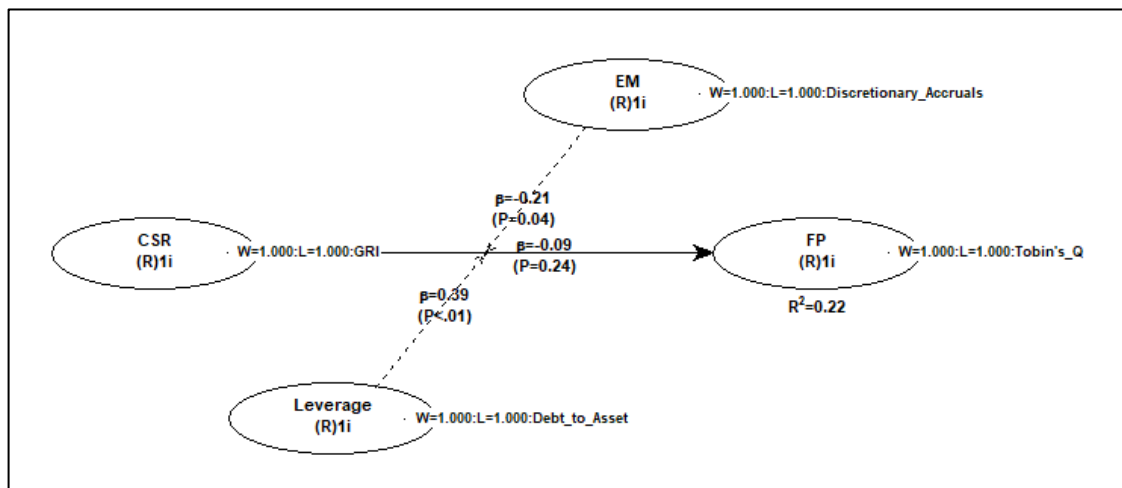


Figure 2. Coefficient of Determination

Figure 2 shows an R-squared value of 0.22, the model suggests that CSR contributes to 22% of the variation observed in financial performance, while the remaining 78% is determined by different factors that fall outside the scope of this research model.

3.3.2 Predictive Relevance (Q-Square)

The measurement of Q-Square predictive relevance aims to assess how well the model and its estimations predict the observed values. A Q-Square value greater than 0 (>0), indicates that the research framework is considered relevant. A Q-Square value smaller than 0 (<0), implies that the research model is considered irrelevant. The result of the Q-Square calculation in Table 5 is 0.246, proving that this research model is relevant.

3.3.3 Hypothesis Test

Table 7. Hypothesis Testing Results

Effects	Coefficients	p value	Description	Hypothesis
CSR → FP	0.09	0.24	Not Significant	H1 rejected
CSR*EM → FP	0.21	0.04	Significant	H2 accepted
CSR*Lvg → FP	0.39	<0.01	Significant	H3 accepted

Based on the result of the hypothesis test in Table 7 of the impact of CSR on financial performance shows a coefficient of correlation of 0.09 at a level of significance of 0.24. This demonstrates that CSR positively affects financial performance, but is unable to significantly affect financial performance. Therefore, H1 is not supported.

The hypothesis test of the influence of earnings management as a moderator linking CSR to financial performance shows a coefficient of correlation of 0.21 at a level of significance of 0.04. Earnings management has positive interactions with CSR and affects financial performance in a significant way. Therefore, H2 is confirmed.

The outcome of the hypothesis test of the moderating role of leverage on the relationship between CSR and financial performance shows a coefficient of correlation of 0.39 at a level of significance of <0.01. This means that leverage interacts positively with CSR and has a notable impact on financial performance. Therefore, H3 is confirmed.

3.4 Discussion

3.4.1 The Effect of CSR on Financial Performance

The first hypothesis stating that CSR has a significant effect on financial performance is rejected. Although the test shows a positive correlation of 0.09, the p-value of 0.24 suggests that the relationship lacks statistical significance. This finding indicates that CSR has yet to demonstrate a meaningful direct influence on financial performance.

This outcome is not entirely align with legitimacy theory, which outlines that aligning business practices with societal norms and expectations through CSR could strengthen legitimacy and public trust (Deegan, 2002; Suchman, 1995). One possible reason is that the benefits of CSR may not be immediately reflected in financial performance, especially if stakeholders consider CSR to be merely a formality or are not communicated effectively (Kusumawati et al., 2022). It could also reflect a lack of awareness and attention from stakeholders towards the company's CSR activities or the CSR carried out is not strong enough to create a significant financial impact (Bunadi & Tarjo, 2022).

In addition, CSR tends to be a long-term strategy, the benefits of which accrue gradually, rather than as a short-term financial enhancer. Supporting this view, a number of past research have reported that CSR is often used symbolically to meet legitimacy expectations without directly contributing to profitability (Suttipun et al., 2021). This outcome is in line with previous research by Bunadi & Tarjo (2022); Kusumawati et al. (2022) and contradicts the studies conducted by Islami et al. (2022); Itan (2020); Supriyanto & Novriyanti (2024); Wulan et al. (2022).

3.4.2 The Effect of CSR on Financial Performance Moderated by Earnings Management

The second hypothesis stating that earnings management moderates the connection of CSR and financial performance is accepted. The outcome of the analysis demonstrates a positive and significant interaction with an effect size of 0.21 and statistical significance of 0.04.

This outcome aligns with the principles of agency theory, which describes how managers might perform earnings management to meet investor expectations or manipulate perceptions of financial performance due to information asymmetry (Jensen & Meckling, 1976). Interestingly, the positive moderation effect indicates that CSR may be used by management as a tool to reduce reputational risk arising from earnings management practices. This aligns with the views of Prior et al. (2008) and Orlitzky et al. (2003) who stated that CSR can be a “legitimacy shield”, a self-defense tool used by managers to maintain public trust even though they carry out actions that are not entirely ethical.

However, this result also raise concerns about the potential for opportunistic use of CSR by management to conceal earnings manipulation activities. As stated by Ang et al. (2020), CSR can be used as a manipulative tool to divert stakeholders' attention from less than ideal financial conditions. Thus, while CSR may enhance financial performance when paired with earnings management, It highlights the significance of transparency and effective governance so that CSR is not misused. This outcome is in line with previous research by Ang et al. (2020); Wijayanto et al. (2021) and contradicts with Kusumawati et al. (2022); Wulan et al. (2022).

3.4.3 The Effect of CSR on Financial Performance Moderated by Leverage

The third hypothesis regarding leverage as a moderating variable is also accepted, with positive and significant interaction results (coefficient: 0.39; $p < 0.01$). This means that the role of CSR in affecting financial performance is intensified through leverage.

This finding supports agency theory, particularly the concept that leverage can act as a control mechanism. The high debt held by a company creates financial pressure that encourages managers to be more disciplined in managing resources (Jensen, 1986). In such conditions, CSR implementation tends to be more strategic and focused, and is directed to produce a real impact on stakeholders, thus providing a greater influence on financial performance (Ramadhani & Maresti, 2021).

Furthermore, companies with high leverage are often required by creditors and investors to convey information more openly and responsibly. This condition encourages management to use CSR as a means to build a good reputation and maintain access to financing (P. P. R. A. Dewi et al., 2021).

However, this result contradicts the notion that high leverage causes companies to ignore CSR due to financial strain (Mayer, 2021). Instead, it suggested that under high leverage, CSR is actually serves as a mechanism to maintain market trust and the firm's financial stability. This outcome is in line with previous research Marheni & Kristina (2023); Rosiana & Akhmadi (2023) and contradicts the studies conducted by Warninda & Faujiyah (2023).

4. CONCLUSION

This study investigates the relationship between Corporate Social Responsibility (CSR) and financial performance, along with the moderating roles of earnings management and leverage, using a sample of mining companies in Indonesia. The first hypothesis testing reveals that CSR does not have a statistically significant direct effect on financial performance. This finding implies that while CSR may enhance a company's legitimacy and public image, its impact may not be immediately reflected in financial metrics. The result suggests that CSR might function more effectively as a long-term investment rather than a short-term performance driver. The second finding supports the hypothesis that earnings management moderates the relationship between CSR and financial performance. The analysis indicates that in the presence of earnings management, CSR activities may serve as a reputational buffer or a legitimacy tool, enhancing stakeholders' trust despite potentially manipulative financial reporting. This emphasizes the dual role of CSR, as both a strategic tool and a potential shield to mask less transparent practices, highlighting the importance of governance and accountability. The third finding shows that leverage significantly moderates the effect of CSR on financial performance. In high-leverage firms, CSR is likely carried out more strategically and transparently to maintain stakeholder trust and secure ongoing financing. This supports the view that financial pressure can drive more focused CSR initiatives. Despite

these insights, the study is limited to the 2021–2023 period. Future research is encouraged to use a longer observation window to capture the long-term effects of CSR more comprehensively and enhance the generalizability of findings.

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