"Digital Transformation and Sustainable Business: Challenges and Opportunities for Higher Education Research and Development"

Financial Impact of CSR Practices and Public Ownership in Indonesian Plantation Sector

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Abstract

This investigation examines financial implications of Corporate Social Responsibility disclosure and public ownership within Indonesia's plantation sector during 2020-2023. Employing purposive sampling of 11 firms listed on the Indonesia Stock Exchange, the study applies multiple linear regression analysis. CSR disclosure is measured using GRI-G4 index, while financial performance is proxied by Return on Assets. Results demonstrate that CSR disclosure exhibits positive but statistically insignificant effects on financial performance ($\beta = 7.259$, $p = 0.210$), while public share ownership significantly and positively influences ROA ($\beta = 0.228$, $p = 0.007$). The combined model accounts for 17% of ROA variance, highlighting strategic yet nuanced roles of CSR and ownership structure in shaping financial outcomes.

***Keywords**: CSR Disclosure, Corporate Governance, Financial Performance, Plantation Firms, Public Ownership*

Introduction

Corporate Social Responsibility disclosure has emerged as critical element in contemporary corporate strategy, transcending traditional philanthropic roles to become integral to sustainable business practices. In Indonesia, Financial Services Authority Regulation No. 51/POJK.03/2017 and Limited Liability Company Law No. 40 of 2007 have institutionalized CSR disclosure, reinforcing imperatives for firms to integrate social and environmental considerations into business models.

High-quality CSR disclosures enhance corporate reputation and signal ethical governance to investors, potentially lowering cost of capital (Alareeni & Hamdan, 2020; Nirino et al., 2021). However, CSR impacts on financial performance remain complex, with benefits often manifesting over long-term periods depending on contextual factors (Nguyen et al., 2020; Zhao & Murrell, 2021).

Alongside CSR, public ownership strengthens financial efficiency through improved monitoring and alignment of management interests with shareholder value maximization (Liang et al., 2023; Pham & Pham, 2020). Indonesia's plantation sector provides unique setting for examining these relationships, facing significant sustainability challenges related to environmental degradation and social welfare.

This study addresses three primary questions: First, how does CSR disclosure quality influence financial performance during post-pandemic recovery? Second, to what extent does public ownership affect financial outcomes through governance mechanisms? Third, do CSR practices and ownership structure exhibit complementary or substitutive relationships in determining firm performance?

Literature Review

Theoretical Framework

Agency Theory

Agency theory provides foundational framework for understanding relationships between corporate governance mechanisms and firm performance. This theory posits that separation of ownership and control creates potential conflicts between principals (shareholders) and agents (managers), resulting in agency costs that diminish firm value (Freeman et al., 2020). CSR disclosure functions as signaling mechanism reducing information asymmetry between firms and stakeholder groups (Cho et al., 2021; Platonova et al., 2020).

Stakeholder Theory

Stakeholder theory emphasizes that firms must balance interests of multiple stakeholder groups to achieve sustainable competitive advantage (Freeman et al., 2020). CSR disclosure represents key mechanism through which firms communicate stakeholder engagement and demonstrate commitment to balanced value creation (Surroca et al., 2020).

Legitimacy Theory

Legitimacy theory posits that organizations seek social license through alignment with stakeholder expectations (Deegan, 2020). CSR disclosure serves as legitimacy-building tool, particularly in sustainability-sensitive industries like plantations facing associations with deforestation and social conflicts (Zahid et al., 2022).

CSR Disclosure and Financial Performance

Contemporary research emphasizes that CSR disclosure quality plays vital roles in shaping external stakeholder perceptions of firm legitimacy and long-term value propositions (Alareeni & Hamdan, 2020; Nirino et al., 2021). Firms embedding CSR into core strategic frameworks often experience performance benefits through enhanced reputation and improved stakeholder relationships (García-Sánchez & García-Sánchez, 2020).
However, CSR financial impacts remain context-dependent. Differences in institutional environments and corporate governance structures significantly affect how CSR initiatives are perceived (Khan et al., 2021; Mahmud et al., 2021). In emerging markets, CSR practices may be more symbolic, limiting immediate financial payoffs (Zhao & Murrell, 2021).

Public Ownership and Financial Performance

Higher proportions of public ownership are associated with increased scrutiny from minority shareholders, which may drive management to improve performance and reduce agency costs (Liang et al., 2023; Pham & Pham, 2020). Public ownership introduces external monitoring that disciplines corporate managers and enhances financial efficiency (Le & Tran, 2021).
In Indonesia's context, public shareholding serves as balancing force promoting transparency and responsiveness to external stakeholders (Sutrisno, 2020). However, public ownership effects depend on institutional contexts and complementary governance mechanisms (Chen et al., 2020; Kao et al., 2020).

Research Hypotheses

CSR Disclosure Effect on Financial Performance

CSR disclosure provides transparency regarding corporate environmental and social performance, enabling stakeholders to evaluate firm sustainability commitments. High-quality CSR reporting signals responsible management, ethical conduct, and long-term value orientation to investors and other stakeholders (Buallay, 2020). These signals can enhance corporate reputation, attract socially responsible investors, and improve stakeholder relationships, ultimately contributing to financial performance improvement.
In plantation sectors, where environmental and social impacts are substantial and visible, CSR disclosure assumes

particular importance. Firms demonstrating commitment to sustainable practices through transparent reporting may differentiate themselves from competitors, access premium markets, and reduce regulatory risks (Sila & Cek, 2020). Additionally, CSR disclosure can reduce information asymmetry between managers and external stakeholders, lowering cost of capital and improving access to financial resources.

However, CSR impacts on financial performance may manifest over extended time horizons rather than immediately. Investment in environmental protection, community development, and sustainable practices requires upfront costs that may constrain short-term profitability while building intangible assets including reputation and stakeholder trust that enhance long-term performance (García-Sánchez & García-Sánchez, 2020).

H_1: CSR disclosure has a positive effect on financial performance

Public Ownership Effect on Financial Performance

Public ownership introduces external monitoring mechanisms that can reduce agency costs and improve financial performance. Dispersed shareholders create market pressure for transparency and accountability, encouraging managers to pursue value-maximizing strategies (Ahmed et al., 2021). Additionally, public ownership facilitates market discipline through share price reactions to performance, analyst coverage, and potential takeover threats.

In Indonesia's plantation sector, where ownership concentration is common and insider control prevalent, public shareholding can serve as important governance mechanism. Minority shareholders demand performance transparency and may challenge management decisions perceived as detrimental to shareholder value (Waluyo, 2020). This external scrutiny can motivate improved operational efficiency, strategic decision-making, and financial performance.

Furthermore, firms with higher public ownership may face greater pressure to maintain strong financial performance to support share valuations and attract investor interest. This market discipline can drive continuous performance improvement and strategic adaptation to changing competitive conditions (Le & Tran, 2021).

H_2: Public share ownership has a positive effect on financial performance

Joint Effects of CSR Disclosure and Public Ownership

CSR disclosure and public ownership may exhibit complementary effects on financial performance. Public shareholders typically demand transparency and accountability, creating audiences receptive to CSR disclosure (Chen et al., 2020). Firms with higher public ownership may face stronger incentives to provide high-quality CSR reporting to satisfy shareholder information needs and demonstrate responsible management.

Additionally, the governance-enhancing effects of public ownership may amplify CSR benefits. When external monitoring ensures that CSR commitments translate into genuine operational changes rather than remaining symbolic, CSR practices can more effectively enhance reputation and stakeholder relationships (Khan et al., 2021). Conversely, CSR disclosure may enhance public ownership benefits by providing information that enables external shareholders to more effectively monitor management performance across multiple dimensions.

H_3: CSR disclosure and public share ownership simultaneously affect financial performance

Methods

Research Design

This investigation employs quantitative methodology with explanatory research design to examine causal relationships between CSR disclosure, public ownership, and financial performance using archival secondary data from published financial statements and sustainability reports.

Data Sources

Financial performance data including Return on Assets, total assets, net income, and ownership structure information are obtained from audited annual financial statements available through Indonesia Stock Exchange (*www.idx.co.id*). CSR disclosure data are collected from corporate sustainability reports, annual reports, and integrated reports based on Global Reporting Initiative (GRI) G4 framework.

Population and Sample

The research population comprises plantation sector companies listed on Indonesia Stock Exchange during 2020-2023. Purposive sampling methodology employs criteria including:

1. Continuous listing throughout observation period
2. Complete financial disclosure with audited statements
3. CSR disclosure availability in sustainability reports
4. Complete data for all research variables
5. Reporting consistency in Indonesian Rupiah

Applying these criteria results in 11 companies, generating 44 firm-year observations.

Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.430	2.699		-.900	.373
	Corporate Social Responsibilty	7.259	5.703	.186	1.273	.210
	Public Ownership	.228	.080	.414	2.831	.007

Source: SPSS processed results, 2025

The regression equation: **ROA = -2.430 + 7.259(CSRI) + 0.228(Public Ownership) + ε**

Coefficient Interpretation:

1. CSR Disclosure Index (β_1 = 7.259): Each 1 percentage point increase in CSR disclosure associates with 0.073 percentage point increase in ROA, though statistically insignificant (p = 0.210).
2. Public Ownership (β_2 = 0.228): Each 1 percentage point increase in public ownership associates with 0.228 percentage point increase in ROA, achieving strong statistical significance (p = 0.007).

Hypothesis Testing Results

Partial Test (t-Test)

Table 2. Individual Hypothesis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.430	2.699		-.900	.373
	Corporate Social Responsibilty	7.259	5.703	.186	1.273	.210
	Public Ownership	.228	.080	.414	2.831	.007

Source: SPSS processed results, 2025

1. H_1 Test Result: CSR disclosure does not significantly affect financial performance (t-calculated = 1.273 < t-table = 2.020, p = 0.210 > 0.05). While the positive coefficient aligns with theoretical expectations, empirical evidence does not support statistically significant relationship.
2. H_2 Test Result: Public ownership significantly and positively affects financial performance (t-calculated = 2.831 > t-table = 2.020, p = 0.007 < 0.05), supporting the hypothesis that dispersed ownership enhances corporate governance and firm profitability.

Simultaneous Test (F-Test)

Table 3. Simultaneous Hypothesis Test – ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	280.770	2	140.385	4.208	.022[b]
	Residual	1367.673	41	33.358		
	Total	1648.443	43			

Source: SPSS processed results, 2025

The F-statistic of 4.208 with significance 0.022 < 0.05 confirms that independent variables collectively exert significant effects on ROA. Therefore, H_3 is accepted—CSR disclosure and public ownership simultaneously influence financial performance.

Coefficient of Determination (R^2)

Table 4. Model Summary - Coefficient of Determination

Model	R	R Square	Adjusted R Square
1	.413[a]	.170	.130

Source: SPSS processed results, 2025

The adjusted R^2 value of 0.130 (13.0%) indicates that CSR disclosure and public ownership collectively explain 13% of ROA variation, with remaining 87% attributable to other factors including commodity price fluctuations, operational efficiency, management quality, and macroeconomic conditions.

Discussion

CSR Disclosure and Financial Performance

The finding that CSR disclosure positively but insignificantly influences financial performance (β = 7.259, p = 0.210) presents nuanced picture requiring careful interpretation. The positive coefficient aligns with stakeholder theory predictions, yet lacks statistical significance (Alareeni & Hamdan, 2020; Nirino et al., 2021). This insignificant relationship may reflect temporal dynamics—CSR investments often generate returns over extended horizons rather than immediately (García-Sánchez & García-Sánchez, 2020). The four-year observation period may be insufficient to capture delayed benefits, particularly given pandemic disruption (Mahmud et al., 2021). Additionally, heterogeneity in CSR disclosure quality may weaken observable relationships, as symbolic reporting differs from substantive commitment (Khan et al., 2021; Zahid et al., 2022).

Public Ownership as Governance Mechanism

Public ownership demonstrates significant positive influence on financial performance (β = 0.228, p = 0.007), validating agency theory perspectives (Liang et al., 2023; Pham & Pham, 2020). Public shareholders create market pressures for transparency and accountability, demanding comprehensive reporting that reduces information asymmetry (Le & Tran, 2021). Liquid markets enable performance-based discipline through share price reactions and potential takeover threats. The significant public ownership effect carries important implications for corporate governance reform in Indonesian plantation sectors (Kao et al., 2020; Sutrisno, 2020).

Simultaneous Effects

The significant F-test ($F = 4.208$, $p = 0.022$) confirms that CSR disclosure and public ownership collectively influence financial performance despite individual CSR effects being insignificant. This suggests potential complementarity between variables as distinct but reinforcing mechanisms addressing different governance dimensions (Platonova et al., 2020; Surroca et al., 2020). The modest R^2 (13.0%) emphasizes that plantation firm profitability depends on numerous factors beyond those examined.

Conclusion

This investigation yields three important conclusions: First, CSR disclosure demonstrates positive but statistically insignificant effects on financial performance ($\beta = 7.259$, $p = 0.210$), suggesting CSR benefits may manifest over longer horizons or depend on implementation quality (Zhao & Murrell, 2021). Second, public ownership significantly and positively influences financial performance ($\beta = 0.228$, $p = 0.007$), validating that ownership dispersion introduces external monitoring mechanisms (Liang et al., 2023). Third, CSR disclosure and public ownership jointly exert significant effects ($F = 4.208$, $p = 0.022$), suggesting complementarity as distinct governance mechanisms (Platonova et al., 2020).

The model explains 13% of financial performance variation (adjusted $R^2 = 0.130$). The research demonstrates that governance mechanisms—particularly ownership structure—exert more immediate effects than sustainability practices in short-term windows (Nirino et al., 2021). Corporate managers should move beyond symbolic CSR reporting toward substantive sustainability implementation. Investors should emphasize ownership structure analysis while evaluating CSR quality critically. Regulators should strengthen disclosure requirements while encouraging ownership dispersion.

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