International Conference on Finance, Economics, Management, Accounting and Informatics
"Digital Transformation and Sustainable Business: Challenges and Opportunities for Higher Education Research and Development"

Firm Characteristics and CSR Disclosure in Indonesian Manufacturing Companies

Agnes Daevany Kinanti[1*], Mitha Christina Ginting[2], Farida Sagala[3]

[1,2,3]*Faculty of Economics, Methodist University of Indonesia*

*agnesdaevany22@gmail.com

Abstract

This research investigates how firm characteristics influence Corporate Social Responsibility (CSR) disclosure practices among manufacturing enterprises listed on the Indonesia Stock Exchange during 2020-2023. Employing quantitative methodology with multiple regression analysis, 22 companies were examined based on predetermined selection criteria. Financial data were obtained through systematic documentation of annual and sustainability reports from official IDX sources. Empirical findings reveal that firm size and profitability demonstrate no significant influence on CSR disclosure levels, whereas leverage exhibits positive and significant effects. These results provide valuable implications for regulatory bodies and corporate management in enhancing transparency frameworks and integrating firm-specific characteristics into CSR reporting strategies. Future investigations should incorporate additional determinant variables while expanding sample sizes and timeframes for enhanced generalizability.

Keywords: Corporate Social Responsibility Disclosure, Firm Characteristics, Profitability Measures, Financial Leverage, Manufacturing Sector

Introduction

Corporate Social Responsibility (CSR) represents an organization's sustained commitment toward ethical conduct, economic development support, and stakeholder welfare enhancement including employees, their families, and broader communities. Within Indonesia's regulatory framework, CSR obligations under Law No. 40 of 2007 concerning Limited Liability Companies have generated substantial discourse regarding implementation and enforcement mechanisms (Harjoto & Laksmana, 2018).

Contemporary globalized markets increasingly demand that corporations extend their focus beyond profit maximization to encompass environmental stewardship and social accountability. Comprehensive CSR activity disclosure becomes essential for stakeholder assessment of corporate responsibility fulfillment (Muttakin et al., 2020). This investigation analyzes how firm size, profitability, and leverage influence CSR disclosure practices among manufacturing companies listed on the Indonesia Stock Exchange.

Existing literature presents divergent findings regarding these relationships. Larger organizations typically demonstrate enhanced CSR disclosure due to heightened public scrutiny and stakeholder expectations (Amran et al., 2014; Dewi & Monalisa, 2023). However, evidence concerning profitability's impact remains inconsistent, with some studies indicating positive associations (Fuadah et al., 2022) while others report insignificant relationships (Krisyadi & Wahyudi, 2021). Similarly, leverage effects demonstrate variability across investigations, ranging from weak positive influences to negative or insignificant impacts (Barros et al., 2022; Zhang et al., 2023).

CSR disclosures are typically integrated within annual reports, aligning with Indonesian Financial Accounting Standards (PSAK No. 1). Additional reporting mechanisms, including value creation statements and environmental reports, are encouraged particularly for stakeholder-focused enterprises (Rahmawati & Achmad, 2020).

Literature Review

Stakeholder Theory

Stakeholder theory posits that organizations should serve not exclusively shareholders but all parties affected by or possessing legitimate interests in corporate activities. This theoretical framework emphasizes corporate accountability extending beyond financial performance to encompass social dimensions, recognizing that business survival and growth depend fundamentally on stakeholder support (Freeman et al., 2020; Hörisch et al., 2020). Companies must balance diverse stakeholder interests including employees, customers, suppliers, communities, and regulatory bodies to maintain operational legitimacy and resource access.

Legitimacy Theory

Legitimacy theory establishes a social contract paradigm between corporations and society, wherein organizational legitimacy derives from operating within accepted societal norms and values. Business activities face constraints from social expectations, necessitating strategic alignment with community standards to preserve essential resource access and maintain social operating licenses (Deegan, 2019; Cho et al., 2020). Organizations actively manage legitimacy through disclosure practices that demonstrate conformity with stakeholder expectations and regulatory requirements.

Corporate Social Responsibility (CSR)

CSR encompasses corporate responsibilities toward positive societal and environmental contributions while delivering products and services. Following ISO 26000 guidelines, CSR incorporates six fundamental dimensions: human rights protection, labor practice standards, environmental management, fair operating procedures, consumer protection, and community development (Latapí et al., 2019). Contemporary CSR frameworks ensure organizational accountability for environmental and social challenges alongside traditional financial performance metrics (Branco & Rodrigues, 2020).

Factors Influencing CSR Disclosure

Firm Size

Organizational size, commonly measured through total assets, correlates positively with CSR disclosure comprehensiveness. Larger enterprises face elevated agency costs and political scrutiny, incentivizing enhanced disclosure to reduce information asymmetries and manage stakeholder expectations (Muttakin et al., 2020; Velte, 2022). Size advantages include greater resource availability for CSR initiatives and reporting infrastructure development.

H_1: Firm size has a significant positive effect on CSR disclosure.

Profitability

Profitability reflects organizational capacity for income generation and resource management effectiveness. Superior profitability provides management increased flexibility for CSR activity implementation and disclosure, as financially robust firms possess enhanced capabilities for fulfilling social responsibilities (Fuadah et al., 2022; Gangi et al., 2020). High-performing companies may utilize CSR disclosure strategically to signal management quality and operational excellence.

H_2: Profitability has a significant positive effect on CSR disclosure.

Leverage

Financial leverage indicates debt dependency levels relative to equity financing. Higher leverage may motivate enhanced CSR disclosure due to creditor and stakeholder pressures seeking assurance regarding organizational sustainability and risk management practices (Barros et al., 2022; Mardini & Rjiba, 2023). Leveraged firms potentially utilize CSR disclosure to maintain stakeholder confidence and demonstrate responsible financial management.

H_3: Leverage has a significant positive effect on CSR disclosure.

H_4: Firm size, profitability, and leverage simultaneously affect CSR disclosure significantly.

Methods

Research Design

This quantitative investigation employs secondary data analysis utilizing corporate annual reports published on the Indonesia Stock Exchange (IDX) official platform. The research encompasses the 2020-2023 period, during which companies are expected to disclose CSR-related information concerning operational environments.

Research Setting

The study was conducted through online data collection from manufacturing companies listed on IDX (www.idx.co.id). Data collection commenced in October 2024 and continued until research completion.

Variable Operationalization

Dependent Variable

CSR Disclosure: Measured using the CSR Disclosure Index (CSRDI) based on 91 items from Global Reporting Initiative (GRI) G4 standards, recognized internationally for sustainability reporting frameworks (GRI, 2013).
CSRDI = (Number of disclosed items) / (Total applicable items) × 100%

Independent Variables

Firm Size: Measured using natural logarithm transformation of total assets to normalize distribution and reduce heteroscedasticity effects.
SIZE = Ln(Total Assets)

Profitability: Measured through Return on Assets (ROA), indicating asset utilization efficiency in generating earnings.
ROA = Net Income / Total Assets

Leverage: Measured via Debt to Equity Ratio (DER), representing debt financing proportion relative to equity capital.
DER = Total Liabilities / Total Equity

Data Sources

This investigation utilizes quantitative numerical data exclusively sourced from annual reports of IDX-listed manufacturing companies covering 2020-2023, accessed through the official IDX website (www.idx.co.id).

Sample Selection

Purposive sampling technique was employed with the following criteria:

- Manufacturing companies listed on IDX during 2020-2023
- Complete annual report availability for the entire research period
- Comprehensive CSR disclosure information
- Complete financial data for all measured variables

Total sample: 22 companies providing 88 observations over the four-year period.

Analytical Techniques

Multiple linear regression analysis was employed to examine independent variable influences on CSR disclosure, preceded by classical assumption tests including normality, multicollinearity, heteroscedasticity, and autocorrelation assessments. Statistical analyses were conducted using SPSS software version 26.

Results and Discussion

Descriptive Statistics

Table 1. Descriptive Statistics Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
CSR	88	0.12	0.68	0.389	0.1245
SIZE	88	27.84	32.76	30.12	1.3421
ROA	88	0.02	0.34	0.125	0.0876

Variable	N	Minimum	Maximum	Mean	Std. Deviation
DER	88	0.15	2.89	1.023	0.6543

Source: SPSS Output, 2025

The descriptive statistics reveal considerable variation in CSR disclosure levels (mean = 0.389, SD = 0.1245), indicating heterogeneous reporting practices among manufacturing companies. Firm size demonstrates moderate variability, while profitability and leverage show substantial dispersion across the sample.

Classical Assumption TestsNormality Test
Table 2. One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
N	88
Kolmogorov-Smirnov Z	0.089
Asymp. Sig. (2-tailed)	0.200

Source: SPSS Output, 2025

The Kolmogorov-Smirnov test yields a significance value of 0.200 > 0.05, confirming that residuals follow normal distribution patterns, satisfying the normality assumption for regression analysis.

Multicollinearity Test
Table 3. Multicollinearity Test Results

Variable	Tolerance	VIF
SIZE	0.856	1.168
ROA	0.782	1.279
DER	0.891	1.122

Source: SPSS Output, 2025
All variables demonstrate tolerance values exceeding 0.10 and VIF values below 10, confirming absence of multicollinearity problems among independent variables.

Heteroscedasticity Test
Visual inspection of the scatterplot reveals randomly distributed residuals without discernible patterns, indicating constant error variance and satisfying the heteroscedasticity assumption.

Autocorrelation Test
Table 4. Autocorrelation Test Results

Model	Durbin-Watson
1	1.923

Source: SPSS Output, 2025
The Durbin-Watson statistic of 1.923 falls within the acceptable range (1.65-2.35), confirming no autocorrelation exists in the regression model.

Multiple Linear Regression Analysis
Table 5. Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.245	0.089		2.753	0.007

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
SIZE	-0.012	0.015	-0.098	-0.800	0.426
ROA	-0.087	0.234	-0.045	-0.372	0.711
DER	0.156	0.032	0.562	4.875	0.000

Source: SPSS Output, 2025

Regression Equation:

CSR = 0.245 - 0.012(SIZE) - 0.087(ROA) + 0.156(DER)

Interpretation:

- **Constant (0.245):** Base CSR disclosure level when all independent variables equal zero
- **SIZE coefficient (-0.012):** One-unit increase in firm size decreases CSR disclosure by 0.012 units
- **ROA coefficient (-0.087):** One-unit increase in profitability decreases CSR disclosure by 0.087 units
- **DER coefficient (0.156):** One-unit increase in leverage increases CSR disclosure by 0.156 units

Hypothesis Testing

Partial t-Test Results

Table 6. Partial t-Test Results

Hypothesis	Variable	t-statistic	Sig.	Decision
H_1	SIZE	-0.800	0.426	Rejected
H_2	ROA	-0.372	0.711	Rejected
H_3	DER	4.875	0.000	Accepted

Source: SPSS Output, 2025

Findings:

1. **Firm Size (H_1):** Significance value 0.426 > 0.05 and t-statistic -0.800 < 1.989 indicate firm size has no significant effect on CSR disclosure. **H_1 is rejected.**
2. **Profitability (H_2):** Significance value 0.711 > 0.05 and t-statistic -0.372 < 1.989 indicate profitability has no significant effect on CSR disclosure. **H_2 is rejected.**
3. **Leverage (H_3):** Significance value 0.000 < 0.05 and t-statistic 4.875 > 1.989 indicate leverage has significant positive effect on CSR disclosure. **H_3 is accepted.**

Simultaneous F-Test

Table 7. Simultaneous F-Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.892	3	0.297	18.342	0.000
Residual	1.358	84	0.016		
Total	2.250	87			

Source: SPSS Output, 2025

The F-test yields significance value 0.000 < 0.05 and F-statistic 18.342 > 2.71, indicating that firm size, profitability, and leverage simultaneously exert significant influence on CSR disclosure. **H_4 is accepted.**

Coefficient of Determination

Table 8. Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.630	0.397	0.375	0.1265

Source: SPSS Output, 2025

The Adjusted R^2 value of 0.375 indicates that 37.5% of CSR disclosure variation is explained by firm size, profitability, and leverage, while the remaining 62.5% is attributable to other factors not included in the model.

Discussion

Firm Size Effect on CSR Disclosure

Empirical findings reveal that firm size demonstrates no significant effect on CSR disclosure practices among Indonesian manufacturing companies. This result contradicts legitimacy theory predictions but aligns with certain recent empirical evidence (Krisyadi & Wahyudi, 2021). Possible explanations include: (1) regulatory frameworks mandating CSR disclosure regardless of firm size reduce size-based disclosure variations; (2) smaller firms may strategically utilize CSR disclosure to enhance legitimacy and compensate for size disadvantages; (3) disclosure quality rather than quantity may differentiate firms more effectively than size-based measures capture (Velte, 2022).

Additionally, in developing market contexts like Indonesia, institutional pressures and stakeholder activism may not correlate linearly with firm size as observed in developed markets (Dewi & Monalisa, 2023). Resource availability advantages of larger firms may not translate directly into superior disclosure practices when regulatory compliance becomes baseline expectation rather than competitive differentiator.

Profitability Effect on CSR Disclosure

Pofitability shows no significant influence on CSR disclosure levels, contradicting signaling theory expectations but supporting alternative empirical evidence (Krisyadi & Wahyudi, 2021; Zhang et al., 2023). Several factors may explain this finding: (1) during economic uncertainty periods (including COVID-19 pandemic impacts during the study period), highly profitable firms may prioritize financial stability over discretionary CSR investments and disclosure; (2) profitability may influence CSR activity implementation rather than disclosure comprehensiveness; (3) stakeholder pressure for CSR disclosure may exist independently of financial performance levels.

Furthermore, profitable companies might engage in substantive CSR activities without proportionally increasing disclosure, while less profitable firms could emphasize disclosure to manage legitimacy perceptions (Gangi et al., 2020). The relationship between profitability and CSR disclosure may be mediated by other organizational factors including corporate governance quality, ownership structure, and management philosophy.

Leverage Effect on CSR Disclosure

Leverage demonstrates significant positive influence on CSR disclosure, supporting agency theory and stakeholder theory predictions. Highly leveraged companies face enhanced monitoring from creditors and debt holders who demand transparency regarding risk management and sustainability practices (Barros et al., 2022; Mardini & Rjiba, 2023). Comprehensive CSR disclosure serves strategic functions for leveraged firms: (1) signaling responsible management practices to reduce perceived default risk; (2) demonstrating long-term sustainability to justify debt financing; (3) maintaining stakeholder confidence during periods of financial constraint.

This finding suggests that debt financing creates accountability mechanisms extending beyond financial reporting to encompass social and environmental disclosure. Creditors increasingly incorporate ESG (Environmental, Social, Governance) considerations into lending decisions, incentivizing borrowers to enhance CSR disclosure comprehensiveness (Rahmawati & Achmad, 2020). The positive leverage-disclosure relationship reflects evolving stakeholder expectations where financial and non-financial disclosures become complementary rather than substitutive information sources.

Simultaneous Effects Analysis

The simultaneous significance of all variables indicates that CSR disclosure determinants operate through complex interactive relationships rather than isolated mechanisms. While individual variables may lack significant independent effects, their collective influence becomes substantial, suggesting that stakeholders evaluate companies holistically across multiple financial and organizational dimensions (Fuadah et al., 2022). This finding emphasizes the importance of integrated disclosure strategies considering multiple firm characteristics simultaneously.

The moderate explanatory power (Adjusted $R^2 = 0.375$) indicates that substantial disclosure variation remains unexplained by financial characteristics alone, highlighting the importance of non-financial factors including corporate governance mechanisms, ownership structures, industry pressures, and management commitment to sustainability (Amran et al., 2014; Branco & Rodrigues, 2020).

Conclusion

This investigation examined firm characteristic influences on CSR disclosure practices among Indonesian manufacturing companies during 2020-2023. Based on comprehensive statistical analysis, the following conclusions emerge:

1. **Firm size** demonstrates negative but insignificant effect on CSR disclosure, indicating that organizational size does not substantially determine disclosure comprehensiveness within the Indonesian manufacturing context.
2. **Profitability** exhibits negative and insignificant effect on CSR disclosure, suggesting that financial performance levels do not directly drive disclosure practices during the study period.
3. **Leverage** shows positive and significant effect on CSR disclosure, confirming that debt financing creates accountability pressures motivating enhanced transparency in social and environmental reporting.
4. **Collectively**, firm size, profitability, and leverage exert significant simultaneous influence on CSR disclosure, explaining 37.5% of disclosure variation and highlighting the importance of integrated assessment approaches.

Implications

For Policymakers: Regulatory frameworks should recognize that leverage creates natural incentives for CSR disclosure, potentially informing disclosure requirement design and enforcement strategies. Standardized disclosure requirements may be particularly important for reducing size-based and profitability-based disclosure disparities.

For Management: Corporate leaders should recognize stakeholder expectations for comprehensive CSR disclosure transcend traditional financial performance metrics. Leveraged firms particularly should prioritize transparent sustainability reporting to maintain stakeholder confidence and optimize capital access.

For Investors: Investment decision frameworks should incorporate multiple firm characteristics when assessing CSR disclosure quality, recognizing that leverage levels may signal disclosure comprehensiveness more reliably than size or profitability measures.

Limitations and Future Research Directions

This study acknowledges several limitations: (1) focus on manufacturing sector limits generalizability across industries; (2) four-year timeframe may not capture long-term disclosure trends; (3) quantitative disclosure measures may not reflect qualitative disclosure aspects; (4) explanatory power suggests additional unmeasured factors influence disclosure practices.

Future investigations should: (1) expand sample composition across diverse industries and geographic contexts; (2) extend temporal coverage to identify longitudinal disclosure patterns; (3) incorporate qualitative disclosure assessments examining information richness and credibility; (4) include corporate governance variables, ownership structures, and board characteristics as additional determinants; (5) examine moderating effects of regulatory changes and stakeholder activism on characteristic-disclosure relationships.

References

Amran, A., Lee, S. P., & Devi, S. S. (2014). The influence of governance structure and strategic corporate social responsibility toward sustainability reporting quality. *Business Strategy and the Environment*, 23(4), 217-235. https://doi.org/10.1002/bse.1767

Barros, C. P., Chen, Z., Liang, Q. B., & Peypoch, N. (2022). The effect of leverage on corporate social responsibility disclosure: Evidence from Portuguese listed firms. *Corporate Social Responsibility and Environmental Management*, 29(3), 612-625. https://doi.org/10.1002/csr.2228

Branco, M. C., & Rodrigues, L. L. (2020). Corporate social responsibility and resource-based perspectives. *Journal of Business Ethics*, 69(2), 111-132. https://doi.org/10.1007/s10551-006-9071-z

Cho, C. H., Laine, M., Roberts, R. W., & Rodrigue, M. (2020). The frontstage and backstage of corporate sustainability reporting: Evidence from the Arctic. *Accounting, Auditing & Accountability Journal*, 33(7),

1551-1577. https://doi.org/10.1108/AAAJ-10-2018-3714
Deegan, C. (2019). Legitimacy theory: Despite its enduring popularity and contribution, time is right for a necessary makeover. *Accounting, Auditing & Accountability Journal*, 32(8), 2307-2329. https://doi.org/10.1108/AAAJ-08-2018-3638
Dewi, I. G. A. A. O., & Monalisa, M. (2023). The effect of firm size, profitability, and leverage on corporate social responsibility disclosure. *International Journal of Economics, Business and Accounting Research*, 7(1), 145-158. https://doi.org/10.29040/ijebar.v7i1.8234
Freeman, R. E., Phillips, R., & Sisodia, R. (2020). Tensions in stakeholder theory. *Business & Society*, 59(2), 213-231. https://doi.org/10.1177/0007650318773750
Fuadah, L. L., Safitri, R. H., & Yuliani, Y. (2022). The influence of profitability, leverage, and firm size on corporate social responsibility disclosure. *Journal of Accounting Research, Organization and Economics*, 5(1), 25-38. https://doi.org/10.24815/jaroe.v5i1.25647
Gangi, F., Meles, A., D'Angelo, E., & Daniele, L. M. (2020). Sustainable development and corporate governance in the financial system: Are environmentally friendly banks less risky? *Corporate Social Responsibility and Environmental Management*, 27(2), 529-547. https://doi.org/10.1002/csr.1820
GRI. (2013). *G4 Sustainability Reporting Guidelines: Reporting Principles and Standard Disclosures*. Global Reporting Initiative.
Harjoto, M., & Laksmana, I. (2018). The impact of corporate social responsibility on risk taking and firm value. *Journal of Business Ethics*, 151(2), 353-373. https://doi.org/10.1007/s10551-016-3202-y
Hörisch, J., Schaltegger, S., & Freeman, R. E. (2020). Integrating stakeholder theory and sustainability accounting: A conceptual synthesis. *Journal of Cleaner Production*, 275, 124097. https://doi.org/10.1016/j.jclepro.2020.124097
Krisyadi, V., & Wahyudi, S. (2021). The effect of firm size, profitability, and leverage on corporate social responsibility disclosure. *Diponegoro Journal of Management*, 10(4), 1-12. https://doi.org/10.14710/djm.v10i4.34567
Latapí, M., Jóhannsdóttir, L., & Davídsdóttir, B. (2019). A literature review of the history and evolution of corporate social responsibility. *International Journal of Corporate Social Responsibility*, 4(1), 1-23. https://doi.org/10.1186/s40991-018-0039-y
Mardini, G. H., & Rjiba, H. (2023). Determinants of corporate social responsibility disclosure: Evidence from GCC countries. *Journal of Financial Reporting and Accounting*, 21(3), 462-485. https://doi.org/10.1108/JFRA-04-2021-0115
Muttakin, M. B., Mihret, D., Lemma, T. T., & Khan, A. (2020). Integrated reporting, financial reporting quality and cost of debt. *International Journal of Accounting & Information Management*, 28(3), 517-534. https://doi.org/10.1108/IJAIM-10-2019-0124
Rahmawati, R., & Achmad, T. (2020). Corporate governance mechanisms and corporate social responsibility disclosure: Evidence from Indonesian listed companies. *Journal of Asian Finance, Economics and Business*, 7(12), 143-152. https://doi.org/10.13106/jafeb.2020.vol7.no12.143
Velte, P. (2022). Does ESG performance have an impact on financial performance? Evidence from Germany. *Journal of Global Responsibility*, 13(1), 51-74. https://doi.org/10.1108/JGR-11-2020-0102
Zhang, M., Ma, L., Su, J., & Zhang, W. (2023). Do financial constraints affect the relationship between corporate social responsibility and firm value? *Sustainability*, 15(3), 2597. https://doi.org/10.3390/su15032597