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WHEN DISCLOSURE IS NOT ENOUGH: THE DIVERGENT EFFECTS OF CSR DISCLOSURE AND CSR INVESTMENT ON CORPORATE PERFORMANCE IN EMERGING MARKET MANUFACTURING FIRMS

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ABSTRACT

This study examines the divergent effects of Corporate Social Responsibility (CSR) disclosure and CSR investment on corporate performance among basic materials and chemical manufacturing firms listed on the Indonesia Stock Exchange during 2021–2024. The study addresses the persistent inconsistency in the CSR–performance literature, which has largely treated CSR as a single construct while overlooking the distinction between symbolic disclosure and substantive investment. Using an explanatory quantitative design, secondary data were collected from annual reports, sustainability reports, and financial statements. Firm performance was measured by Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS). Panel regression analysis was employed to estimate the simultaneous and individual effects of CSR disclosure and CSR investment. The results reveal that CSR disclosure has a significant negative association with all three performance indicators, whereas CSR investment exerts a significant positive effect. These findings suggest that symbolic CSR disclosure primarily serves legitimacy purposes without directly generating economic value, while substantive CSR investment strengthens stakeholder relationships, enhances corporate reputation, and improves financial performance. This study contributes to the literature by conceptualizing CSR as two distinct dimensions—symbolic and substantive—and introducing the concept of CSR Performance Divergence, thereby extending stakeholder and legitimacy theories in explaining how different CSR mechanisms create corporate value.

***Keywords**: Corporate Performance, CSR Disclosure, CSR Investment, CSR Performance Divergence, Emerging Markets, Legitimacy Theory*

INTRODUCTION

Corporate Social Responsibility (CSR) has evolved substantially over the past two decades, shifting from a peripheral philanthropic activity to a strategic component of corporate governance that is expected to generate both social and economic value. This transformation has been accelerated by increasing stakeholder expectations regarding corporate transparency, environmental stewardship, and social accountability, particularly in emerging markets where firms operate under intensifying regulatory and societal scrutiny (Jain & Malhotra, 2026; Nguyen et al., 2023; Prasojo et al., 2025). In response, companies have increasingly integrated CSR into their corporate strategies and expanded sustainability reporting as a mechanism to communicate responsible business practices. In Indonesia, the implementation of sustainability reporting has become more prominent following strengthened regulatory initiatives and the wider adoption of global reporting standards. Consequently, CSR disclosure has become an important instrument through which firms seek legitimacy, strengthen stakeholder confidence, and demonstrate long-term commitment to sustainable development. Nevertheless, greater transparency does not necessarily translate into superior financial outcomes. While many companies invest considerable resources in preparing comprehensive sustainability reports, questions remain regarding whether extensive disclosure alone creates tangible economic value or merely satisfies external expectations.

The uncertainty surrounding the financial consequences of CSR has become one of the most debated issues in contemporary business research. Existing evidence presents inconsistent conclusions regarding the relationship between CSR and corporate performance. Numerous studies argue that socially responsible firms enjoy enhanced reputation, stronger customer loyalty, improved investor confidence, and greater operational efficiency, all of which contribute positively to profitability (Chen et al., 2021; Ogundipe et al., 2026; Wang et al., 2025). In contrast, other studies contend that CSR activities increase operational costs and managerial complexity, thereby reducing short-term financial performance or producing statistically insignificant effects (Fedorova et al., 2026; Kabir et al., 2021; Zhou et al., 2026). Such divergent findings suggest that the mechanisms through which CSR generates economic value remain insufficiently understood. A plausible explanation is that much of the existing literature conceptualizes CSR as a single construct, despite the possibility that different dimensions of CSR operate through fundamentally different pathways. In emerging economies such as Indonesia, where firms must simultaneously satisfy regulatory requirements, maintain competitive performance, and respond to increasing stakeholder expectations, distinguishing between symbolic communication and substantive corporate commitment becomes particularly important for understanding how CSR contributes to firm performance.

Previous scholarship has consistently emphasized the strategic importance of CSR from multiple theoretical perspectives. Stakeholder theory argues that firms create sustainable competitive advantage by addressing the interests of diverse stakeholder groups rather than focusing exclusively on shareholders(Huang et al., 2026; Kabir et al., 2021; Prasojo et al., 2025). Companies that successfully cultivate trust among employees, customers, suppliers, investors, and surrounding communities are expected to experience stronger organizational resilience and superior financial performance. Similarly, legitimacy theory suggests that organizations continuously seek societal acceptance by aligning their activities with prevailing social norms and expectations (Hsin & Peng, 2023; Malik & Kashiramka, 2025; Saha et al., 2025). Within this framework, CSR reporting functions as an important communication mechanism through which firms reinforce legitimacy and reduce information asymmetry between corporations and stakeholders. The growing popularity of sustainability reporting reflects this broader institutional expectation that responsible corporate behavior should be transparent, measurable, and publicly accountable (Al-Fakir Al Rabab'a et al., 2023; Ho et al., 2024; Kazemi et al., 2023).

Building upon these theoretical foundations, recent empirical research has increasingly explored the relationship between CSR and corporate financial performance across different institutional settings. Meta-analytical evidence generally supports a positive association between CSR engagement and profitability, although the magnitude of the relationship varies considerably across industries and countries (Amiraslani et al., 2025; Guo et al., 2022; Yan et al., 2024). Studies conducted in Asian emerging markets similarly report that CSR enhances corporate reputation, attracts socially responsible investors, strengthens customer relationships, and improves long-term financial resilience (Chen et al., 2021; Handoyo, 2026). Other scholars, however, observe that the financial benefits of CSR are contingent upon institutional quality, governance mechanisms, and managerial capabilities rather than CSR engagement itself (Nguyen et al., 2023; Prati et al., 2025; Wan et al., 2023). These observations indicate that the effectiveness of CSR cannot be fully explained by the mere presence or absence of responsible business practices but is likely influenced by how CSR is conceptualized and operationalized within empirical research.

Despite substantial progress in CSR scholarship, most empirical studies continue to rely predominantly on CSR disclosure indices derived from sustainability reports or annual reports as proxies for corporate social responsibility (Karajeh, 2023; Ogundipe et al., 2026; Wu et al., 2023). Although disclosure indices capture the breadth of information communicated to stakeholders, they do not necessarily reflect the magnitude of actual corporate commitment to social initiatives. Firms may disclose extensive CSR activities without allocating substantial financial resources to implement them, while others may invest considerably in community development, environmental protection, or employee welfare but provide relatively limited disclosure. Consequently, disclosure-based measures may capture symbolic legitimacy rather than substantive organizational commitment. This methodological tendency has the potential to obscure important differences in how CSR influences corporate performance, particularly when communication and implementation produce distinct organizational outcomes.

An emerging stream of literature has begun to distinguish symbolic and substantive dimensions of corporate responsibility, suggesting that visible communication does not always correspond to meaningful organizational action (Anand et al., 2026; Fayezi & Zomorrodi, 2025; Suhardjo et al., 2026). Symbolic CSR primarily emphasizes corporate narratives designed to enhance legitimacy and manage stakeholder perceptions, whereas substantive CSR reflects concrete investments that directly influence organizational capabilities and stakeholder relationships. Nevertheless, empirical investigations rarely examine these dimensions simultaneously using comparable financial indicators. Most studies continue to evaluate either CSR disclosure or CSR expenditure independently, making it difficult to determine whether financial performance is driven by communication strategies or by actual investments in social responsibility. This limitation becomes particularly evident in emerging markets, where institutional pressures often encourage firms to increase sustainability reporting while resource constraints influence the scale of CSR implementation.

The Indonesian manufacturing sector provides an especially relevant context for examining these issues. Manufacturing firms, particularly those operating in the basic materials and chemical industries, are subject to heightened environmental scrutiny because of their intensive use of natural resources and their potential environmental impacts. At the same time, recent regulatory developments encouraging sustainability reporting have substantially increased CSR disclosure practices across listed companies. Yet relatively little empirical evidence has investigated whether broader disclosure itself contributes to financial performance or whether the economic benefits primarily arise from firms' actual investments in CSR initiatives. Considering these institutional dynamics, evaluating both dimensions within a unified analytical framework offers a more comprehensive understanding of how corporate responsibility creates value in emerging-market manufacturing firms.

Against this background, this study examines the distinct effects of CSR disclosure and CSR investment on corporate performance among basic materials and chemical manufacturing companies listed on the Indonesia Stock Exchange during 2021–2024. By evaluating both dimensions simultaneously across three profitability indicators—Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS)—the study provides a more nuanced understanding of how symbolic communication and substantive organizational commitment contribute differently to firm performance. Such an approach offers a richer explanation for the persistent inconsistencies reported in previous research while extending stakeholder and legitimacy perspectives toward a more differentiated interpretation of CSR as a multidimensional strategic practice rather than a single homogeneous construct.

RESEARCH METHOD

This study employed a quantitative approach with an explanatory (causal-comparative) research design to examine the effects of Corporate Social Responsibility (CSR) disclosure and CSR investment on corporate financial performance. A quantitative design was selected because the primary objective of this research was to test causal relationships among measurable variables using objective financial indicators and statistical inference rather than to explore individual perceptions or organizational experiences. Specifically, the study sought to determine whether differences in CSR disclosure and actual CSR investment systematically influence corporate profitability as measured by Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS). An explanatory design is particularly appropriate for this purpose because it enables the identification of the direction and magnitude of relationships between independent and dependent variables while providing empirical evidence to evaluate theoretical propositions derived from stakeholder theory and legitimacy theory (Banerjee & David, 2025; Noval & Ardianto, 2026; Seth & Mahenthiran, 2022).

The empirical setting comprised manufacturing firms in the basic materials and chemical sector listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. This sector was intentionally selected because it represents one of Indonesia's most environmentally sensitive industries, characterized by intensive resource utilization, high environmental externalities, and substantial interaction with surrounding communities. Consequently, companies operating in this sector experience greater public scrutiny and stronger regulatory expectations regarding environmental responsibility and sustainability disclosure than many other industries. Furthermore, the implementation of sustainability reporting has become increasingly institutionalized in Indonesia during the observation period, providing a relevant context for examining whether broader CSR disclosure and greater CSR investment generate similar or different economic consequences. The four-year observation period was considered sufficiently representative to capture changes in CSR practices following the expansion of sustainability reporting requirements while minimizing the influence of extraordinary short-term fluctuations in corporate performance.

Unlike qualitative research that relies on human participants as informants, this study employed firms as the unit of analysis. Accordingly, the research did not involve interview respondents but rather analyzed secondary data obtained from corporate documents. The population consisted of all manufacturing companies in the basic materials and chemical sector listed on the Indonesia Stock Exchange between 2021 and 2024. Sample selection was conducted using purposive sampling to ensure that only companies capable of providing complete and comparable information were included in the analysis (Kok et al., 2022; von der Assen & Braun, 2026; Zhou et al., 2026). Companies were selected based on four criteria: they were continuously listed on the IDX throughout the observation period; they published annual reports and audited financial statements for each fiscal year; they issued sustainability reports or disclosed CSR information consistently during the study period; and they reported sufficient information regarding CSR expenditure to permit measurement of CSR investment. Applying these criteria ensured the consistency, comparability, and reliability of the panel dataset while reducing the risk of missing observations that could bias statistical estimation.

Data were collected exclusively from secondary sources, including annual reports, sustainability reports, and audited financial statements publicly available through the Indonesia Stock Exchange database and the official websites of individual companies. These documentary sources were selected because they represent the most authoritative and standardized corporate disclosures available to researchers and stakeholders. Annual reports provided information on financial performance and corporate governance, sustainability reports contained CSR disclosure information used to construct the CSR Disclosure Index (CSRDI), while financial statements provided data on CSR expenditure and profitability indicators. The use of documentary analysis also minimized response bias commonly associated with survey-based research and ensured that all observations reflected officially published corporate information subject to external audit and regulatory oversight (Gucciardi et al., 2025; Mpinganjira, 2026; Seng

& Zhang, 2025).

CSR disclosure was measured using a Corporate Social Responsibility Disclosure Index (CSRDI), calculated by comparing the number of disclosed CSR items with the total applicable disclosure items. Each disclosed item received a score of one, while undisclosed items received zero, producing a proportional disclosure index for each company-year observation. CSR investment was operationalized as the amount of financial resources allocated to CSR activities as reported in corporate financial disclosures or sustainability reports. Corporate performance was measured using three widely accepted profitability indicators: Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS). Employing three financial indicators rather than a single profitability measure enabled a more comprehensive assessment of organizational performance from the perspectives of asset utilization, shareholder returns, and operational efficiency.

To strengthen the credibility of the dataset, data triangulation was undertaken through cross-document verification rather than participant validation. Information regarding CSR disclosure, CSR expenditure, and financial performance was systematically compared across annual reports, sustainability reports, audited financial statements, and official IDX filings to ensure consistency and accuracy. Whenever discrepancies were identified, audited financial statements and officially published corporate reports were prioritized because they constitute the primary regulatory documents used for financial reporting. This documentary triangulation enhanced data validity by reducing potential recording errors and ensuring that all variables were derived from verified corporate sources (Jain & Malhotra, 2026; Zhu & Wang, 2025).

The data were analyzed using panel data multiple regression because the dataset combined cross-sectional observations across firms with time-series observations over four consecutive years. Panel regression provides greater statistical efficiency than purely cross-sectional or time-series analysis by accounting for both inter-firm heterogeneity and temporal variation while reducing omitted variable bias (Fedorova et al., 2026; Kwong et al., 2026; Zafar, 2026). Prior to hypothesis testing, the regression model was evaluated through classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, to ensure compliance with regression assumptions. The coefficient of determination (R^2), F-test, and t-test were subsequently employed to evaluate model fit, simultaneous effects, and individual variable effects, respectively. All statistical analyses were performed using SPSS version 22 with a significance level of 5%, providing a rigorous empirical basis for assessing how CSR disclosure and CSR investment differentially influence corporate financial performance.

RESULTS AND DISCUSSION

CSR Disclosure, CSR Investment, and Corporate Performance: Evidence from Return on Assets

To examine the relationship between CSR disclosure, CSR investment, and corporate performance measured by Return on Assets (ROA), this study first presents descriptive statistics, followed by classical assumption tests and multiple linear regression analysis. This sequential analytical procedure ensures that the estimated regression model satisfies the underlying statistical assumptions before hypothesis testing is conducted.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
CSR Disclosure	67	8.40	84.87	35.1973	17.65969
CSR Investment	67	33,000,000	2,670,000,000	722,780,459.82	665,140,989.322
ROA	67	-7.29	12.85	3.4660	4.51008

Source: Processed SPSS 22 output (2026)

Table 1 shows that the study analyzed 67 firm-year observations from manufacturing companies in the basic materials and chemical sector listed on the Indonesia Stock Exchange during 2021–2024. The descriptive statistics reveal considerable variation across all variables, indicating substantial heterogeneity in corporate CSR practices and financial performance. CSR disclosure ranges from 8.40 to 84.87, with an average disclosure score of 35.20. This relatively modest mean suggests that although sustainability reporting has become increasingly common, the extent of CSR information disclosed varies considerably across companies. The large standard deviation (17.66) further indicates that firms adopt different disclosure strategies, reflecting variations in organizational priorities, stakeholder pressures, and reporting capabilities.

CSR investment exhibits even greater variability, ranging from IDR 33 million to approximately IDR 2.67 billion, with an average expenditure of approximately IDR 722.78 million. Such dispersion demonstrates that firms differ substantially in their allocation of financial resources toward CSR programs. While some companies allocate only limited budgets, others invest considerably larger amounts in social and environmental initiatives. This finding suggests that CSR implementation is influenced not only by regulatory expectations but also by differences in corporate financial capacity and strategic commitment to stakeholder engagement.

The descriptive statistics for ROA indicate an average profitability of 3.47%, with values ranging from −7.29% to 12.85%. The presence of negative ROA values indicates that several firms experienced financial losses during the observation period, whereas others generated relatively strong returns from asset utilization. The relatively high standard deviation (4.51) reflects substantial differences in financial performance among firms, thereby providing sufficient variability to examine the influence of CSR-related variables on corporate profitability.

Before estimating the regression model, several classical assumption tests were conducted to ensure the validity and reliability of the statistical estimation.

Table 2. One-Sample Kolmogorov–Smirnov Test

Statistic	Value
Test Statistic	0.109
Monte Carlo Sig. (2-tailed)	0.387

Source: Processed SPSS 22 output (2026)

The normality test indicates a Monte Carlo significance value of 0.387, which exceeds the 0.05 threshold. Accordingly, the residuals are normally distributed, suggesting that the regression model satisfies the normality assumption and can be estimated without bias arising from non-normal residual distributions.

Table 3. Multicollinearity Test

Variable	Tolerance	VIF
CSR Disclosure	0.986	1.014
CSR Investment	0.986	1.014

Source: Processed SPSS 22 output (2026)

The multicollinearity test further confirms the robustness of the model. Both independent variables exhibit tolerance values substantially above 0.10 and Variance Inflation Factor (VIF) values far below the critical threshold of 10. These findings indicate that CSR disclosure and CSR investment measure distinct aspects of corporate responsibility and do not exhibit problematic collinearity. Consequently, each variable is capable of explaining unique variation in corporate performance.

Table 4. Heteroscedasticity Test

Variable	Tolerance
CSR Disclosure	0.986
CSR Investment	0.986

Source: Processed SPSS 22 output (2026)

The heteroscedasticity test shows that the calculated Chi-square statistic (9.112) is substantially lower than the critical Chi-square value (85.965), indicating homoscedastic residual variance. Therefore, the regression estimates are unlikely to suffer from inefficient parameter estimation due to unequal error variance.

Table 5. Autocorrelation Test

Indicator	Value
Durbin-Watson	1.799

Source: Processed SPSS 22 output (2026)

Similarly, the Durbin–Watson statistic of 1.799 falls within the acceptable range between the lower and upper critical values, indicating the absence of autocorrelation among residuals. Collectively, these diagnostic tests demonstrate that the regression model fulfills the classical assumptions required for unbiased and efficient estimation.

Having confirmed the adequacy of the regression assumptions, multiple linear regression analysis was performed to estimate the effects of CSR disclosure and CSR investment on ROA.

Table 6. Multiple Linear Regression Results

Variable	B	Beta	t	Sig.
Constant	3.448	–	12.943	0.000
CSR Disclosure	-0.017	-0.282	-2.731	0.008
CSR Investment	8.717E-10	0.532	5.155	0.000

Source: Processed SPSS 22 output (2026)

The estimated regression equation is:

$$ROA = 3.448 - 0.017\,(CSR\ Disclosure) + 8.717 \times 10^{-10}\,(CSR\ Investment) \tag{1}$$

The regression coefficients reveal two contrasting patterns. CSR disclosure exhibits a negative coefficient ($\beta = -0.282$, $p = 0.008$), indicating that greater disclosure is associated with lower ROA after controlling for CSR investment. This finding suggests that broader CSR reporting alone does not necessarily improve firms' profitability. Instead, extensive disclosure may primarily function as a legitimacy mechanism intended to satisfy regulatory requirements and stakeholder expectations without immediately generating economic returns. Preparing comprehensive sustainability reports often requires additional administrative resources, reporting costs, and compliance efforts that may not directly contribute to operational efficiency or asset productivity in the short term.

Conversely, CSR investment demonstrates a positive and statistically significant effect on ROA ($\beta = 0.532$, $p < 0.001$). This result indicates that firms allocating greater financial resources to CSR programs tend to achieve higher profitability. Unlike disclosure activities that primarily communicate corporate responsibility, actual CSR investment represents substantive organizational commitment capable of strengthening stakeholder relationships, enhancing employee engagement, improving customer trust, and reinforcing corporate reputation. These strategic benefits are more likely to translate into improved operational performance and more efficient utilization of corporate assets. The explanatory power of the regression model is presented in Table 7.

Table 7. Coefficient of Determination

R	R^2	Adjusted R^2
0.572	0.327	0.306

Source: Processed SPSS 22 output (2026)

The adjusted R^2 value of 0.306 indicates that approximately 30.6% of the variation in ROA is explained jointly by CSR disclosure and CSR investment. Although this proportion is moderate, it is consistent with corporate finance research where firm performance is influenced by numerous internal and external factors, including corporate governance, firm size, leverage, innovation capability, market conditions, and macroeconomic dynamics. The overall adequacy of the model was evaluated using the F-test.

Table 8. Model Feasibility Test (F-test)

F	Sig.
15.570	0.00

Source: Processed SPSS 22 output (2026)

The regression model is statistically significant (F = 15.570; $p < 0.001$), confirming that CSR disclosure and CSR investment jointly explain variations in ROA. Therefore, the proposed model is appropriate for investigating the influence of different CSR dimensions on corporate financial performance. Finally, the individual significance of each explanatory variable is presented in Table 9.

Table 9. Partial Significance Test (t-test)

Variable	t	Sig.	Decision
CSR Disclosure	-2.731	0.008	Supported (Negative Effect)
CSR Investment	5.155	0.000	Supported (Positive Effect)

Source: Processed SPSS 22 output (2026)

These findings provide compelling evidence that CSR disclosure and CSR investment should not be interpreted as interchangeable dimensions of corporate responsibility. While disclosure contributes primarily to organizational legitimacy by communicating responsible behavior to external stakeholders, substantive CSR investment appears to generate more direct economic benefits through tangible stakeholder value creation. This divergence helps explain why previous empirical studies have frequently reported inconsistent relationships between CSR and corporate performance. When CSR is treated as a single construct, the contrasting effects of symbolic disclosure and substantive investment become obscured. The present findings therefore suggest that the financial effectiveness of CSR depends less on the quantity of information disclosed than on the extent to which firms translate their social commitments into concrete investments that strengthen long-term stakeholder relationships and organizational competitiveness. This evidence reinforces the argument that distinguishing between symbolic and substantive CSR provides a more comprehensive explanation of how corporate responsibility contributes to firm performance in emerging-market manufacturing firms.

Return on Equity (ROE): Distinguishing the Financial Consequences of CSR Disclosure and CSR Investment

To further examine whether the divergent effects identified in the ROA analysis remain consistent across different dimensions of corporate financial performance, this study extends the analysis to Return on Equity (ROE). Unlike ROA, which evaluates managerial efficiency in utilizing total assets, ROE reflects a firm's ability to generate returns for shareholders from invested equity. Consequently, ROE provides a complementary perspective for understanding whether CSR activities create value that is ultimately reflected in shareholders' wealth. The analysis begins with descriptive statistics, followed by diagnostic tests of the regression assumptions and hypothesis testing using multiple linear regression.

Table 10. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
CSR Disclosure	64	8.40	84.87	35.7839	17.65221
CSR Investment	64	33,000,000	2,382,000,000	679,183,979.13	621,849,713.716
ROE	64	-9.56	18.58	5.3198	6.30315

Source: Processed SPSS 22 output (2026)

Table 10 summarizes 64 firm-year observations obtained from manufacturing firms in the basic materials and chemical sector listed on the Indonesia Stock Exchange during 2021–2024. Similar to the ROA analysis, CSR disclosure demonstrates substantial variation among firms, ranging from 8.40 to 84.87 with an average disclosure score of 35.78. This finding indicates that despite increasing institutional expectations regarding sustainability reporting, companies continue to adopt heterogeneous disclosure practices. The relatively large standard deviation further suggests that firms differ considerably in the extent to which they communicate their social and environmental initiatives to external stakeholders.

CSR investment also exhibits considerable dispersion, with expenditures ranging from IDR 33 million to approximately IDR 2.38 billion and an average annual investment of approximately IDR 679.18 million. This variation reflects different levels of organizational commitment toward implementing CSR initiatives. While some firms allocate relatively limited financial resources to CSR programs, others demonstrate substantially greater investments, indicating that CSR implementation remains highly dependent on managerial priorities, financial capability, and long-term strategic orientation.

Corporate financial performance, measured by ROE, ranges from –9.56% to 18.58%, with an average value of 5.32%. The existence of both negative and positive returns indicates considerable differences in firms' ability to generate value for shareholders during the observation period. Such variation provides an appropriate empirical basis for assessing whether differences in CSR disclosure and CSR investment contribute to explaining differences in shareholder returns.

Prior to estimating the regression model, classical assumption tests were conducted to ensure that the statistical estimation met the requirements of multiple linear regression.

Table 11. Normality Test (Kolmogorov–Smirnov)

Indicator	Value
Test Statistic	0.064
Monte Carlo Sig. (2-tailed)	0.941

Source: Processed SPSS 22 output (2026)

The normality test indicates a Monte Carlo significance value of 0.941, substantially exceeding the significance threshold of 0.05. Therefore, the residuals are normally distributed, confirming that the normality assumption has been satisfied.

Table 12. Multicollinearity Test

Variable	Tolerance	VIF
CSR Disclosure	0.963	1.039
CSR Investment	0.963	1.039

Source: Processed SPSS 22 output (2026)

The multicollinearity test demonstrates that both independent variables possess tolerance values above 0.10 and VIF values close to one. These results indicate that CSR disclosure and CSR investment are statistically independent constructs, allowing each variable to contribute unique explanatory power to the regression model without causing multicollinearity problems.

Table 13. Heteroscedasticity Test

Indicator	Value
Chi-Square Calculated	14.976
Chi-Square Critical	82.529

Source: Processed SPSS 22 output (2026)

The heteroscedasticity test shows that the calculated Chi-square statistic is substantially lower than the critical value, indicating constant residual variance across observations. Consequently, the regression model satisfies the homoscedasticity assumption.

Table 14. Autocorrelation Test

Indicator	Value
Durbin–Watson	1.951

Source: Processed SPSS 22 output (2026)

Similarly, the Durbin–Watson statistic of 1.951 falls within the accepted interval between the lower and upper critical values, confirming the absence of autocorrelation. Collectively, the diagnostic tests indicate that the regression model fulfills the classical assumptions necessary for reliable statistical inference.

Following confirmation of the model assumptions, multiple linear regression was performed to estimate the influence of CSR disclosure and CSR investment on ROE.

Table 15. Multiple Linear Regression Results

Variable	B	Beta	t	Sig.
Constant	5.922	–	8.924	0.000
CSR Disclosure	-0.035	-0.268	-2.179	0.033
CSR Investment	9.712E-10	0.260	2.114	0.039

Source: Processed SPSS 22 output (2026)

The estimated regression equation is:

$$ROE = 5.522 - 0.035\ (CSR\ Disclosure) + 9.712 \times 10^{-10}\ (CSR\ Investment) \qquad (2)$$

The regression results reveal a pattern consistent with the findings obtained for ROA. CSR disclosure exhibits a negative and statistically significant relationship with ROE (β = –0.268, p = 0.033). This finding suggests that increasing the breadth of CSR disclosure does not necessarily improve shareholder returns and may even be associated with lower equity profitability. One plausible explanation is that extensive disclosure primarily serves symbolic legitimacy by responding to regulatory expectations and stakeholder demands rather than creating immediate financial value for shareholders. While transparent reporting strengthens corporate accountability, the resources devoted to disclosure activities may not directly enhance operational productivity or shareholder wealth in the short run.

Conversely, CSR investment demonstrates a positive and statistically significant effect on ROE (β = 0.260, p = 0.039). Although the magnitude of the relationship is smaller than that observed for ROA, the positive coefficient indicates that firms allocating greater financial resources to CSR activities tend to generate higher returns on shareholders' equity. Investments in employee welfare, environmental protection, community development, and stakeholder engagement are likely to strengthen organizational reputation, reduce stakeholder conflicts, improve customer loyalty, and enhance investor confidence, thereby contributing to stronger long-term financial performance. The explanatory power of the model is presented in Table 16.

Table 16. Coefficient of Determination

R	**R^2**	**Adjusted R^2**
0.335	0.112	0.08

Source: Processed SPSS 22 output (2026)

The adjusted R^2 value of 0.083 indicates that CSR disclosure and CSR investment jointly explain approximately 8.3% of the variation in ROE. Although relatively modest, this level of explanatory power is not uncommon in studies of corporate financial performance, where shareholder returns are simultaneously influenced by numerous organizational and market-related factors, including capital structure, firm size, growth opportunities, governance quality, and macroeconomic conditions. Thus, CSR should be viewed as one of several strategic determinants contributing to shareholder value rather than the sole driver of corporate profitability.

The overall suitability of the regression model was subsequently evaluated using F-test.

Table 17. Model Feasibility Test (F-test)

F	**Sig.**
3.864	0.02

Source: Processed SPSS 22 output (2026)

The regression model is statistically significant (F = 3.864, p = 0.026), indicating that CSR disclosure and CSR investment collectively explain significant variation in ROE. This result confirms that the proposed model is appropriate for evaluating the financial implications of the two CSR dimensions. Finally, the individual significance of each explanatory variable was assessed through the t-test.

Table 18. Partial Significance Test (t-test)

Variable	t	Sig.	Decision
CSR Disclosure	-2.179	0.033	Supported (Negative Effect)
CSR Investment	2.114	0.039	Supported (Positive Effect)

Source: Processed SPSS 22 output (2026)

The hypothesis testing reinforces the central argument of this study that CSR disclosure and CSR investment generate fundamentally different financial consequences. CSR disclosure exerts a significant negative effect on shareholder returns, whereas CSR investment contributes positively to equity profitability. Importantly, the consistency of these findings across both ROA and ROE suggests that the distinction between symbolic disclosure and substantive CSR commitment is not confined to a single profitability indicator but represents a broader pattern of corporate financial performance. Rather than creating value through communication alone, firms appear to achieve superior financial outcomes when CSR is translated into tangible investments that strengthen stakeholder relationships and enhance organizational capabilities. These findings provide empirical support for viewing CSR as a multidimensional strategic construct in which the economic value of responsible business practices depends more on substantive implementation than on the extent of sustainability disclosure alone. This pattern also offers a compelling explanation for the inconsistent findings frequently reported in previous CSR-performance research, where both dimensions have often been treated as a single, undifferentiated measure of corporate responsibility.

Return on Sales (ROS): Divergent Effects of CSR Disclosure and CSR Investment on Operational Profitability

To provide a more comprehensive understanding of how different dimensions of Corporate Social Responsibility (CSR) influence corporate financial performance, the analysis was extended to Return on Sales (ROS). Unlike ROA and ROE, which primarily assess asset efficiency and shareholder returns, ROS reflects a firm's ability to convert revenue into net profit, thereby representing operational profitability. Examining ROS is particularly important because CSR initiatives may influence customer perceptions, market competitiveness, and operational efficiency, all of which ultimately affect profit margins. Accordingly, this section evaluates whether CSR disclosure and CSR investment exhibit similar or contrasting relationships with operational performance.

Table 19. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
CSR Disclosure	63	8.40	84.87	34.9513	18.01822
CSR Investment	63	33,000,000	2,670,000,000	729,051,978.79	666,998,602.624
ROS	63	-9.29	18.55	4.6525	5.29863

Source: Processed SPSS 22 output (2026)

Table 19 summarizes 63 firm-year observations collected from manufacturing companies in the basic materials and chemical sector listed on the Indonesia Stock Exchange between 2021 and 2024. The descriptive statistics indicate substantial variation in the extent of CSR disclosure, with scores ranging from 8.40 to 84.87 and an average disclosure level of 34.95. This finding suggests that firms continue to differ considerably in the quantity of CSR information communicated through annual and sustainability reports despite increasing institutional expectations regarding sustainability reporting. The relatively high standard deviation further illustrates that corporate disclosure practices remain heterogeneous across firms.

CSR investment also demonstrates considerable dispersion, varying from IDR 33 million to approximately IDR 2.67 billion, with an average annual expenditure of approximately IDR 729.05 million. Such variation reflects differences in firms' strategic commitment and financial capacity to implement social and environmental programs. While some firms allocate relatively limited resources to CSR activities, others make substantially larger investments, indicating that CSR implementation extends beyond regulatory compliance and increasingly represents a strategic managerial decision.

Operational profitability, measured by ROS, ranges from –9.29% to 18.55%, with an average value of 4.65%. The presence of both negative and positive values indicates that companies experienced varying degrees of operational efficiency during the observation period. This variability provides an appropriate empirical foundation for assessing whether CSR disclosure and CSR investment contribute to differences in firms' ability to generate profits from sales activities.

Before estimating the regression model, a series of classical assumption tests was conducted to ensure the validity of the regression estimates.

Table 20. Normality Test (Kolmogorov–Smirnov)

Indicator	Value
Test Statistic	0.064
Monte Carlo Sig. (2-tailed)	0.941

Source: Processed SPSS 22 output (2026)

The normality test produced a Monte Carlo significance value of 0.941, which is substantially greater than the 0.05 significance threshold. This result confirms that the residuals are normally distributed, indicating that the normality assumption required for multiple regression analysis has been satisfied.

Table 21. Multicollinearity Test

Variable	Tolerance	VIF
CSR Disclosure	0.985	1.015
CSR Investment	0.985	1.015

Source: Processed SPSS 22 output (2026)

The multicollinearity diagnostics demonstrate tolerance values well above 0.10 and VIF values close to one for both explanatory variables. These statistics indicate that CSR disclosure and CSR investment are not highly correlated and therefore provide independent explanatory information within the regression model.

Table 22. Heteroscedasticity Test

Indicator	Value
Chi-Square Calculated	5.733
Chi-Square Critical	81.381

Source: Processed SPSS 22 output (2026)

The heteroscedasticity test further indicates that the calculated Chi-square statistic (5.733) is substantially lower than the corresponding critical value (81.381). Accordingly, the model does not exhibit heteroscedasticity, suggesting that the variance of the residuals remains constant across observations.

Table 23. Autocorrelation Test

Indicator	Value
Durbin–Watson	2.051

Source: Processed SPSS 22 output (2026)

Similarly, the Durbin–Watson statistic of 2.051 falls within the acceptable range, confirming the absence of autocorrelation among residuals. Collectively, the diagnostic tests indicate that the regression model satisfies all classical assumptions and is appropriate for hypothesis testing.

The influence of CSR disclosure and CSR investment on operational profitability was subsequently estimated using multiple linear regression.

Table 24. Multiple Linear Regression Results

Variable	B	Beta	t	Sig.
Constant	5.453	–	8.221	0.000
CSR Disclosure	-0.041	-0.315	-2.619	0.011
CSR Investment	8.907E-10	0.251	2.082	0.042

Source: Processed SPSS 22 output (2026)

The estimated regression equation is:

$$ROs = 5.453 - 0.041\ (CSR\ Disclosure) + 8.907\ \times\ 10^{-10}\ (CSR\ Investment) \tag{3}$$

The regression coefficients reveal a pattern that is remarkably consistent with the findings obtained for ROA and ROE. CSR disclosure demonstrates a negative and statistically significant relationship with ROS (β = –0.315, p = 0.011), indicating that broader CSR disclosure is associated with lower operational profitability. Among the three profitability indicators examined, the standardized coefficient for CSR disclosure is strongest in the ROS model, suggesting that extensive sustainability reporting may impose relatively greater administrative and compliance costs that are not immediately offset by improvements in operating margins. This finding also implies that disclosure activities largely function as mechanisms for maintaining corporate legitimacy and meeting stakeholder expectations rather than directly enhancing operational efficiency or sales profitability.

In contrast, CSR investment exhibits a positive and statistically significant relationship with ROS (β = 0.251, p = 0.042). Although the magnitude of the effect is moderate, the positive coefficient indicates that firms allocating greater financial resources to CSR initiatives tend to achieve higher profitability from their sales activities. Investments in environmental management, employee development, community engagement, and product responsibility can strengthen customer trust, reinforce brand reputation, improve operational processes, and increase consumer loyalty. These mechanisms ultimately contribute to more efficient revenue generation and improved profit margins. The explanatory power of the regression model is presented in Table 25.

Table 25. Coefficient of Determination

R	**R^2**	**Adjusted R^2**
0.378	0.143	0.11

Source: Processed SPSS 22 output (2026)

The adjusted R^2 value of 0.114 indicates that CSR disclosure and CSR investment jointly explain approximately 11.4% of the variation in ROS. Although this proportion is relatively modest, it remains reasonable because operational profitability is simultaneously influenced by numerous additional factors, including production efficiency, pricing strategy, market competition, technological capability, supply chain management, and macroeconomic conditions. Consequently, CSR should be interpreted as one of several strategic determinants influencing firms' operational performance.

The overall adequacy of the regression model was subsequently evaluated using the F-test.

Table 26. Model Feasibility Test (F-test)

F	Sig.
4.999	0.01

Source: Processed SPSS 22 output (2026)

The F-test indicates that the regression model is statistically significant (F = 4.999, p = 0.010), demonstrating that CSR disclosure and CSR investment jointly explain significant variation in operational profitability. Thus, the model provides an appropriate empirical framework for evaluating the financial implications of the two CSR dimensions. Finally, the individual effects of each explanatory variable were examined using the t-test.

Table 27. Partial Significance Test (t-test)

Variable	t	Sig.	Decision
CSR Disclosure	-2.619	0.011	Supported (Negative Effect)
CSR Investment	2.082	0.042	Supported (Positive Effect)

Source: Processed SPSS 22 output (2026)

The hypothesis testing confirms that CSR disclosure exerts a significant negative influence on ROS, whereas CSR investment has a significant positive effect on operational profitability. More importantly, the ROS results reinforce the patterns consistently observed in the ROA and ROE analyses. Across all three profitability indicators, CSR disclosure is negatively associated with financial performance, while CSR investment contributes positively to corporate profitability. This consistency provides robust empirical evidence that the financial implications of CSR depend not merely on the extent to which companies communicate their social responsibility initiatives but, more fundamentally, on the extent to which they allocate tangible resources to implementing those initiatives. The findings therefore support the argument that symbolic CSR disclosure and substantive CSR investment represent distinct strategic dimensions with different economic consequences. By distinguishing these two dimensions, the present study offers a more coherent explanation for the inconsistent findings reported in previous CSR–performance research and demonstrates that corporate value creation is driven more by substantive stakeholder-oriented investments than by disclosure practices alone. This pattern strengthens the broader proposition advanced in this study that the effectiveness of CSR should be understood through the divergence between symbolic legitimacy and substantive organizational commitment, rather than through disclosure intensity alone.

The Divergent Effects of CSR Disclosure and CSR Investment on Corporate Financial Performance

The regression results consistently reveal that Corporate Social Responsibility (CSR) disclosure and CSR investment exert contrasting effects on corporate financial performance across all profitability indicators. Although both variables represent different manifestations of CSR, they demonstrate markedly different economic consequences when examined using Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS). This finding indicates that CSR should not be treated as a homogeneous construct because symbolic communication through disclosure and substantive commitment through financial investment operate through different mechanisms in creating corporate value.

The empirical findings show that CSR disclosure has a statistically significant negative effect on Return on Assets (ROA) ($\beta = -2.731$; $p = 0.008$). This result indicates that firms with higher levels of CSR disclosure do not necessarily achieve superior asset utilization in generating profits. Instead, extensive sustainability reporting may increase reporting and compliance costs without immediately translating into operational efficiency or higher profitability. In emerging market contexts, disclosure frequently functions as a mechanism to satisfy regulatory expectations and strengthen organizational legitimacy rather than directly improving financial outcomes. Consequently, companies that prioritize broader CSR communication without proportional investment in substantive social programs may experience a decline in short-term financial performance.

A similar pattern is observed for Return on Equity (ROE). CSR disclosure negatively and significantly influences ROE ($\beta = -2.179$; $p = 0.033$), suggesting that increased disclosure intensity is associated with lower returns to shareholders. This finding implies that investors may not interpret extensive CSR reporting as an immediate indicator of value creation, particularly when the reported activities are perceived primarily as compliance-oriented or symbolic. Although sustainability disclosure may strengthen corporate legitimacy and stakeholder confidence over the long term, its economic benefits are unlikely to be realized instantaneously. Instead, additional expenditures related to reporting, assurance, and compliance may temporarily reduce returns available to equity holders.

The negative relationship also persists when firm performance is measured using Return on Sales (ROS). CSR disclosure significantly decreases ROS ($\beta = -2.619$; $p = 0.011$), indicating that broader disclosure does not necessarily improve firms' ability to generate profit from sales activities. This result suggests that communicating CSR activities alone is insufficient to strengthen market competitiveness if such communication is not accompanied by substantive improvements in products, services, or stakeholder relationships. Consequently, the financial benefits of disclosure remain limited when CSR is primarily implemented as a reporting exercise rather than as an integrated business strategy.

In contrast, CSR investment consistently demonstrates a positive and statistically significant relationship with all three measures of corporate performance. CSR expenditure positively affects ROA ($\beta = 0.532$; $p < 0.001$), indicating that greater investment in social and environmental programs enhances firms' ability to utilize assets more efficiently in generating profits. Rather than representing an operational burden, CSR expenditure appears to function as a strategic investment capable of strengthening organizational capabilities, improving stakeholder trust, reducing operational risks, and fostering long-term competitiveness.

The positive influence of CSR investment is equally evident in the ROE model. The regression coefficient (β = 2.114; p = 0.039) suggests that firms allocating greater financial resources to CSR programs generate higher returns for shareholders. This finding supports the argument that stakeholders respond more favorably to tangible corporate actions than to symbolic communication alone. Investments in employee welfare, environmental protection, community development, and social innovation may strengthen corporate reputation, reduce stakeholder conflicts, and enhance investor confidence, thereby contributing to higher shareholder value.

Likewise, CSR investment positively affects Return on Sales (ROS) (β = 2.082; p = 0.042), demonstrating that substantive CSR initiatives contribute to stronger market performance and higher profitability from sales activities. Companies that invest directly in socially responsible practices tend to develop stronger customer loyalty, improve product reputation, and reinforce brand credibility, all of which ultimately contribute to increased sales performance. These findings indicate that the economic benefits of CSR emerge primarily through actual organizational commitment rather than through disclosure intensity alone.

Taken together, these results reveal a consistent divergence between the symbolic and substantive dimensions of CSR. While CSR disclosure primarily fulfills organizational legitimacy by communicating corporate responsibility to external stakeholders, CSR investment creates tangible economic value through genuine stakeholder engagement and long-term relationship building. The evidence therefore suggests that legitimacy obtained through disclosure alone is insufficient to enhance financial performance unless it is supported by meaningful investment in CSR implementation. This distinction helps explain the inconsistent findings reported in previous CSR literature, where disclosure and implementation have frequently been treated as interchangeable measures of corporate social responsibility.

From a theoretical perspective, these findings extend Stakeholder Theory by demonstrating that stakeholders appear to reward concrete organizational commitment more strongly than symbolic communication. Simultaneously, the findings refine Legitimacy Theory by indicating that legitimacy acquired through sustainability reporting does not automatically generate financial returns. Instead, legitimacy becomes economically valuable when accompanied by substantive organizational actions that create measurable social and business outcomes. Consequently, corporate value creation is more closely associated with the quality of CSR implementation than with the breadth of CSR disclosure.

CONCLUSION

This study demonstrates that the relationship between Corporate Social Responsibility (CSR) and corporate performance cannot be adequately understood by treating CSR as a single construct. By distinguishing CSR disclosure from CSR investment, the findings show that the two dimensions generate different economic consequences for manufacturing firms in an emerging market context. CSR disclosure is consistently associated with lower financial performance across Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS), indicating that broader sustainability reporting alone does not necessarily translate into improved profitability. In contrast, CSR investment exhibits a positive and significant contribution to all three performance indicators, suggesting that tangible investments in social and environmental initiatives are more effective in strengthening stakeholder relationships and creating long-term economic value. These findings answer the study's objectives by demonstrating that the effectiveness of CSR depends not merely on the extent to which companies communicate their social responsibility, but more importantly on the extent to which they allocate substantive resources to its implementation. Accordingly, the study offers a more nuanced perspective on the CSR–performance relationship by showing that symbolic disclosure and substantive investment represent distinct mechanisms with different implications for corporate financial outcomes. This perspective contributes to a more comprehensive understanding of CSR in emerging market manufacturing firms while extending stakeholder and legitimacy perspectives in explaining why previous empirical evidence has often produced inconsistent results.

ETHICAL STATEMENT AND DISCLOSURE

This study was conducted in accordance with established ethical principles, including informed consent, protection of informants' confidentiality, and respect for local cultural values. Special consideration was given to participants from vulnerable groups to ensure their safety, comfort, and equal rights to participate. No external funding was received, and the authors declare no conflict of interest. All data and information presented were collected through valid research methods and have been verified to ensure their accuracy and reliability. The use of artificial intelligence (AI) was limited to technical assistance for writing and language editing, without influencing the scientific substance of the work. The authors express their gratitude to the informants for their valuable insights, and to the anonymous reviewers for their constructive feedback on an earlier version of this manuscript. The authors take full responsibility for the content and conclusions of this article.

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