

## **CHAPTER V CONCLUSION**

### **5.1. Introduction**

In Chapter 5, a summary and analysis of the impact of the existence of Corporate Social Responsibility (CSR) on companies' profitability will be provided, covering the period from the beginning of the study to the end of the research. This chapter will be divided into 4 sections. In section 5.2, important aspects from the beginning until the final part of this research and research findings on 63 Indonesian companies in the consumer non-cyclical products sector will be discussed in this part. In addition, the limitations faced during the process of this research will be provided in section 5.3. Finally, recommendations for future study, particularly for future research on the same field, will be addressed in section 5.4.

### **5.2. Research Conclusion**

This study was carried out in order to determine the relationship between corporate social responsibility and the profitability of Indonesian business entities. In this study, 63 public listed Indonesian companies that operate in the non-cyclical consumer goods industry were selected as the sample. Two objectives were established at the outset of the investigation to limit the scope of this research examination. The first objective is to determine whether or not the existence of CSR in a company has an impact on the company's profitability in the short term, and the second objective is to determine whether or not the existence of CSR in a company has an impact on the company's profitability in the long term. Two hypotheses were developed as a result of this process. This research relied on a review of the literature, books, expert theories, and other past research undertaken by researchers in the same field as a source of information. In order to achieve the investigation's objectives, a quantitative approach as well as quantitative analysis were employed in this research. In addition, two models were created that would be processed throughout the statistical calculations. The computations were carried out with the use of SPSS, and the results are given and discussed in detail in Chapter 4.

According to the findings of this study, both hypotheses were shown to be rejected. It has been demonstrated that the existence of CSR has very little to no impact on the profitability of companies in the short term, nor does it have any impact on the rise of companies' profitability in the long term. According to the factors applied in this study, the existence of corporate social responsibility and the cumulative number of years that firms have practised CSR had the second-lowest impact on the profitability of the companies when compared to the control variables. The fact that there was a second-lowest effect does not imply that there was any substantial influence. According to chapter 4, tables 4.3.3 and 4.4.3, it can be shown that there was little to no amount of statistically significant effect on the result of the research.

### **5.3. Research Limitation**

While conducting this research, there were various limitations that had to be overcome. There was a difficult time narrowing down which factors to consider and which ones to avoid because there were so many distinct literatures and research with varying outcomes in this topic. More specific variables were expected to be included in this research model. However, because only a few companies included detailed information such as CSR expenditure, research and development expenditure, gas, electricity, and water costs, it was not possible for the researcher to obtain such information. Furthermore, the profitability of businesses is affected by numerous of variables and measurements, which might vary depending on one's point of view. In this study, it was hoped that the results would help to close a few serious gaps in the literature. But then again, because the results of the previous study were already inconsistent, it was only possible to fill in a few gaps and provide some extra information.

Because of the time constraints, it was not possible to undertake a particularly deep examination of the bigger factors in this investigation. Most of the time spent for gaining and reading previous literature, moreover, all of the data were collected and calculated manually. Because of the time constraints too, sample was drawn from the same sector of companies in the same country of origin, it was discovered that they shared characteristics in common. If the sample

had been drawn from the same sector but from a different country of origin, or from different sectors but from the same country of origin, the results would have been more interesting. Lastly, the research first picked the ESG Score to assess each company's commitment to CSR. Unfortunately, less than five firms out of 66 earned an ESG Score. Using dummy variables alone was unable to provide more information other than the presence of CSR.

#### **5.4. Recommendations for Future Research**

Based on the findings and limitations of this study, a few recommendations for additional research may be made. These recommendations are given below. To begin, it would be beneficial to do the research with a greater number of samples and over a longer period of time, as described above. This will allow the study to expand more efficiently, and ideally, over a longer period, it will yield a more intriguing finding as the result. If possible, choose the sample where most of the companies have ESG score. Since ESG Score can measure the sustainability program done by the companies. Second, while developing the model, incorporate more numbers of specific variables such as spending on environmental, social, and governance programs, or research and development cost. The greater the number of variables included, and, in particular, the greater the number of variables with high degree of relevance, the greater the level of effect of the independent and control variables on the dependent variable. In this scenario, it can provide thorough information on the factors that truly impact the profitability of the company. Third, it will be preferable to mix both quantitative and qualitative approaches, resulting in findings that are representative of both perspectives. Because in this research, the results and discussion were based on quantitative approach and calculation only. If qualitative approach also included in the research, means there will be result coming from non-measurable component. Then, each of the outcomes from each approach will be complementary to the others.

## REFERENCES

- Ahmed Hashed Abdullah, A. (2021) 'Cost stickiness and firm profitability: A study in Saudi Arabian industries', *Investment management & financial innovations*, 18(3), pp. 327-333. doi: 10.21511/imfi.18(3).2021.27.
- Aras, G., Aybars, A. and Kutlu, O. (2010) 'Managing corporate performance: Investigating the relationship between corporate social responsibility and financial performance in emerging markets', *International journal of productivity and performance management*, 59(3), pp. 229-254. doi: 10.1108/17410401011023573.
- Bhattacharya, A., Good, V., Sardashti, H. and Peloza, J. (2021) 'Beyond Warm Glow: The Risk-Mitigating Effect of Corporate Social Responsibility (CSR)', *Journal of business ethics*, 171(2), pp. 317-336. doi: 10.1007/s10551-020-04445-0.
- Bougie, R. and Sekaran, U. (2020) *Research methods for business*. 8th ed edn. Hoboken, NJ: Wiley.
- Brin, P. and Nehme, M.N. (2019) 'CORPORATE SOCIAL RESPONSIBILITY: ANALYSIS OF THEORIES AND MODELS', *Social and Humanities*, , pp. 22-30.
- Capece, G., Di Pillo, F., Gastaldi, M., Levialdi, N. and Miliacca, M. (2017) 'Examining the effect of managing GHG emissions on business performance', *Business strategy and the environment*, 26(8), pp. 1041-1060. doi: 10.1002/bse.1956.
- Carroll, A.B. (2016) 'Carroll's pyramid of CSR: taking another look', *International journal of corporate social responsibility*, 1(1), pp. 1-8. doi: 10.1186/s40991-016-0004-6.
- Chen, Y., Hung, M. and Wang, Y. (2017) 'The effect of mandatory CSR disclosure on firm profitability and social externalities: Evidence from China', *Journal of accounting & economics*, 65(1), pp. 169-190. doi: 10.1016/j.jacceco.2017.11.009.
- Cho, S., Chung, C. and Young, J. (2019) 'Study on the Relationship between CSR and Financial Performance', *Sustainability (Basel, Switzerland)*, 11(2), pp. 343. doi: 10.3390/su11020343.

Creswell, J.W. (2020) *Educational Research: Planning, Conducting, and Evaluating Quantitative and Qualitative Research, Global Edition*. Pearson Education.

Crifo, P., Diaye, M. and Pekovic, S. (2014) 'CSR related management practices and firm performance: An empirical analysis of the quantity–quality trade-off on French data', *International journal of production economics*, 171(3), pp. 405-416. doi: 10.1016/j.ijpe.2014.12.019.

Dunn, P. and Sainty, B. (2009) 'The relationship among board of director characteristics, corporate social performance and corporate financial performance', *International Journal of Managerial Finance*, 5(4), pp. 407-423. doi: 10.1108/17439130910987558.

Duque-Grisales, E. and Aguilera-Caracuel, J. (2019) 'Environmental, Social and Governance (ESG) Scores and Financial Performance of Multilatinas: Moderating Effects of Geographic International Diversification and Financial Slack', *Journal of business ethics*, 168(2), pp. 315-334. doi: 10.1007/s10551-019-04177-w.

Eccles, R.G., Ioannou, I. and Serafeim, G. (2014) 'The Impact of Corporate Sustainability on Organizational Processes and Performance', *Management science*, 60(11), pp. 2835-2857. doi: 10.1287/mnsc.2014.1984.

Elizabeth Henderson and Mariela McIlwraith (2013) *Ethics and corporate social responsibility in the meetings and events industry*. Wiley.

Fahad and Busru, S.A. (2021) 'CSR disclosure and firm performance: evidence from an emerging market', *Corporate governance (Bradford)*, 21(4), pp. 553-568. doi: 10.1108/CG-05-2020-0201.

Ferrell, O.C. (2018) *Business foundations*. Eleventh Edition edn. New York, NY: McGraw-Hill Education.

Hamdoun, M., Achabou, M.A. and Dekhili, S. (2022) 'Could CSR improve the financial performance of developing countries' firms? Analyses of mediating effect of intangible resources', *European business review*, 34(1), pp. 41-61. doi: 10.1108/EBR-09-2019-0236.

Hermawan, M.S. and Mulyawan, S.G. (2014) 'PROFITABILITY AND CORPORATE SOCIAL RESPONSIBILITY: AN ANALYSIS OF INDONESIA'S LISTED COMPANY', *Asia Pacific Journal of Accounting and Finance*, 3(1), pp. 15-31.

Isnailita and Narsa, I.M. (2017) 'CSR Disclosure, Customer Loyalty, and Firm Values (Study at Mining Company Listed in Indonesia Stock Exchange)', *AJAR (Asian Journal of Accounting Research) (Online)*, 2(2), pp. 8-14. doi: 10.1108/AJAR-2017-02-02-B002.

Jahera, J.S., Jr and Lloyd, W.P. (1992) 'Additional evidence on the validity of ROI as a measure of business performance', *The Mid-Atlantic journal of business*, 28(2), pp. 105.

Kaur, N. and Singh, V. (2020) 'Empirically examining the impact of corporate social responsibility on financial performance: evidence from Indian steel industry', *AJAR (Asian Journal of Accounting Research) (Online)*, 6(2), pp. 134-151. doi: 10.1108/AJAR-07-2020-0061.

Khojastehpour, M. and Johns, R. (2014) 'The effect of environmental CSR issues on corporate/brand reputation and corporate profitability', *European business review*, 26(4), pp. 330-339. doi: 10.1108/EBR-03-2014-0029.

Kiessling, T., Isaksson, L. and Yasar, B. (2015) 'Market Orientation and CSR: Performance Implications', *Journal of Business Ethics*, 137(2), pp. 269-284. doi: 10.1007/s10551-015-2555-y.

Lin, H., Wang, C. and Wu, R. (2017) 'Does corporate ethics help investors forecast future earnings?', *Social responsibility journal*, 13(1), pp. 62-77. doi: 10.1108/SRJ-01-2016-0001.

Lin, H., Chou, T., Chen, Y. and Huang, Y. (2014) 'Profitability analysis using IDEA-DA framework', *Annals of operations research*, 223(1), pp. 291-308. doi: 10.1007/s10479-014-1601-y.

López, M., Garcia, A. and Rodriguez, L. (2007) 'Sustainable Development and Corporate Performance: A Study Based on the Dow Jones Sustainability

Index', *Journal of business ethics*, 75(3), pp. 285-300. doi: 10.1007/s10551-006-9253-8.

Megaravalli, A.V. and Sampagnaro, G. (2018) 'Firm age and liquidity ratio as predictors of firm growth: evidence from Indian firms', *Applied economics letters*, 25(19), pp. 1373-1375. doi: 10.1080/13504851.2017.1420883.

Musleh Alsartawi, A. (2020) 'Does it pay to be socially responsible? Empirical evidence from the GCC countries', *International journal of law and management*, 62(5), pp. 381-394. doi: 10.1108/IJLMA-11-2018-0255.

Nestlé *Upaya-Upaya Produksi dan Jejak Langkah Kami dalam Pelestarian Lingkungan Hidup*. Available at: <https://www.nestle.co.id/csv/airdanlingkunganhidup/upayaupayaproduksi> (Accessed: 29 November 2021).

Oh, H., Bae, J., Currim, I.S., Lim, J. and Zhang, Y. (2016) 'Marketing spending, firm visibility, and asymmetric stock returns of corporate social responsibility strengths and concerns', *European journal of marketing*, 50(5/6), pp. 838-862. doi: 10.1108/EJM-05-2015-0290.

Putri, H.D., Miqdad, M. and Sulistiyo, A.B. (2020) 'The effect of environmental performance and CSR on financial performance of manufacturing companies in Indonesia', *International Journal of Research in Business and Social Science* (2147- 4478), 9(6), pp. 50-57. doi: 10.20525/ijrbs.v9i6.913.

Rankin, M. (2018) *Contemporary Issues in Accounting, 2nd Edition*. Melbourne: John Wiley & Sons, Incorporated.

Tambingon, R., Karamoy, H. and Pangerapan, S. (2020) 'Analisis pengaruh biaya kualitas dalam meningkatkan profitabilitas perusahaan PT. Putra Karangatang', *Indonesia accounting journal*, 2(1), pp. 52-57. doi: 10.32400/iaj.27713.

Tobing, L. (2013) *Aturan-Aturan Hukum Corporate Social Responsibility*. Available

at: <https://www.hukumonline.com/klinik/detail/ulasan/lt52716870e6a0f/aturan-aturan-hukum-corporate-social-responsibility> (Accessed: 28 November 2021).

VanderStoep, S.W. and Johnston, D.D. (2009) *Research methods for everyday life*. San Francisco, Calif: Jossey-Bass.

Walker, K., Zhang, Z. and Yu, B. (2016) 'The angel-halo effect', *European business review*, 28(6), pp. 709-722. doi: 10.1108/EBR-11-2015-0139.

Wang, S., Huang, W., Gao, Y., Ansett, S. and Xu, S. (2015) 'Can socially responsible leaders drive Chinese firm performance?', *Leadership & organization development journal*, 36(4), pp. 435-450. doi: 10.1108/LODJ-01-2014-0006.

