

Does Company Size Have Intervening Effect On The Relationship Between Financial Performance And CSR Costs?

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Abstrak

Penelitian ini bertujuan untuk menguji dampak kinerja keuangan terhadap biaya CSR dan menentukan kemampuan ukuran perusahaan untuk mengintervensi pengaruh kinerja keuangan terhadap biaya CSR. Melalui pendekatan kuantitatif, penelitian yang dilakukan dengan sampel dipilih menggunakan teknik purposive sampling sementara pendekatan analitis melibatkan regresi linier berganda untuk pengaruh langsung dan uji Sobel berikutnya untuk menentukan pengaruh tidak langsung. Hasil penelitian menunjukkan korelasi negatif yang signifikan antara rasio profitabilitas dan rasio leverage pada jumlah biaya CSR. Ukuran perusahaan dapat mengintervensi pengaruh rasio profitabilitas terhadap biaya CSR tetapi tidak dapat mengintervensi pengaruh rasio leverage terhadap biaya CSR. Penelitian ini berkontribusi pada literatur yang ada dengan memberikan wawasan bagi manajemen perusahaan untuk merumuskan strategi CSR yang selaras secara optimal dengan kinerja keuangan dan ukuran perusahaan. Penelitian ini berfokus pada faktor-faktor yang memengaruhi biaya CSR dan faktor-faktor yang dapat mengintervensi efek yang menjadi perbedaan signifikan antara penelitian CSR sebelumnya.

Kata Kunci: Biaya CSR; Kinerja Keuangan; Leverage; Ukuran Perusahaan.

Abstract

This research aims to examines the impact of financial performance on CSR costs and determine the ability of company size in intervene the effect of financial performance on CSR costs. Through quantitative approach, the research conducted with sample was choosen using purposive sampling technique while the analytical approach involved multiple linear regression for direct influence and a subsequent Sobel test to determine the indirect influence. The study's outcomes demonstrate a significant negative correlation between both the profitability ratio and the leverage ratio on the amount of CSR costs. The company size can intervene the influence of profitability ratio on CSR costs but it's unable to intervene the influence of leverage ratio on CSR costs. This research contributes to the existing literature by providing insights for corporate management to formulate CSR strategies that are optimally aligned with company's financial performance and size. This research focused on the factor that affect CSR costs and the factor than can intervene the effect that become a significance different between the previous CSR research.

Keyword: CSR Costs; Financial Performance; Leverage; Company Size.

1. Introduction

Globalization has brought human life to a more advanced stage due to the accelerated progress of science and technology. The development brings many positive impacts that crucial to the company's operations. However, this development also brings negative impacts on the environment, especially when associated with waste generated during the company's production process. Among the various existing industries, the mining industry is one industry that has a major negative impact on the environment. (Giljum, S *et al.*, 2022) found that 3,264 km² of forest was destroyed directly due to mining activities performed by industry from 2000 to 2019. 80% of the forest loss took place only in four countries, namely, Brazil, Indonesia, Suriname, and Ghana. Environmental damage and social challenges that occur will trigger public demands, leading to the rise of Corporate Social Responsibility (CSR) to ensure that company operations prioritize both profit generation and the consideration of social and environmental aspects in their activities. With the implementation of CSR, companies are encouraged to actively help address various social challenges and environmental damage such as education, health, landslides, and floods, while also ensuring that their businesses operate ethically, transparently, and sustainably. The example is PT. Bukit Asam Tbk, which empowers local communities through ecotourism development with the aim of creating sustainable alternative livelihoods and reducing community dependence on mining activities, while also preserving the environment (Isabella *et al.*, 2022). Implementing CSR requires companies to incur significant costs. Corporate Social Responsibility (CSR) is sustainable economic development aimed at improving the life and the environment's quality that benefits both the local community and the company itself, as well as society in general (Regulation No. 40 of 2007 concerning Limited Liability Companies). In implementing CSR, companies need to allocate a number of resources, also known as CSR costs. (Dwi & Handayani, 2018) explain that CSR costs are the expenditure of funds by the company to carry out CSR activities.

Determining CSR costs is a crucial matter that must be decided carefully. The costs incurred by a company can be determined by adjusting to various factors, one of factors is company size. Company size describes the extent of a company's reach in all aspects, such as customers, suppliers, shareholders, and many more. Company size can be determined by the amount of assets the company owns. (Yunus & Tarigan, 2020) explain that company size can be interpreted as a scale that can classify the smallness or largeness of a company according to the amount of assets. The company with a bigger size will have the wider the scale of its operations, thus the greater the social or environmental impact it creates. Additionally, large companies not only have more assets but also significantly higher revenues and net profits than small companies. The greater environmental impact, followed with higher financial capacity, encourages large-sized companies to budget higher CSR costs compared to small-sized companies. According to the research findings of (Lucky *et al.*, 2024), an increase in company size is associated with higher Corporate Social Responsibility (CSR) expenditures. Similar findings were also reported by (Hunafah & Zahwa, 2022), (Mudah & Retnani, 2020), and (Putra & Setiawan, 2022), stating that company size positively influences the scope of CSR disclosure. However, another study by (Ulla *et al.*, 2023) showed different results, where company size had no effect on CSR disclosure. Conversely, the expansion of company size is considered as a direct consequence of its evolving financial performance. (Muhharomi *et al.*, 2021) explain that a company's financial health during a specific time frame can be described through financial performance, which is the result of various ongoing decisions made by management over time. Financial performance essentially reflects company's financial health, which can be assessed using various financial analysis tools, in order to understand the goodness or badness of a financial condition of a company, reflecting their working performance in a specific time frame (Yunus & Tarigan, 2020). Companies that have operated for a long period and consistently maintain good financial performance tend to have more resources to support innovation and expand market share, compared to companies with less optimal financial performance. Furthermore, good and consistent financial performance can also attract investors, thus continuously growing the company size and will lead to increase of CSR costs.

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By examining previous research, it is found that profitability has a significant positive influence on CSR disclosure (Mudah & Retnani, 2020). Similar conclusions were also found by (Putra & Setiawan, 2022) and (Hunafah & Zahwa, 2022), stating that the profitability, and leverage positively influence CSR disclosure. However, another study by (Ulla *et al.*, 2023) showed different results because profitability did not affect CSR disclosure, while leverage had a negative influence on CSR disclosure. On the other hand, research on CSR costs conducted by (Lucky *et al.*, 2024) showed that profitability has no influence on the amount of CSR costs incurred by the company, while leverage has a negative influence on the amount of CSR costs. The contradictions in previous research indicate unanswered questions regarding the influence of financial performance on CSR. Moreover, most previous research has focused on CSR disclosure. Furthermore, previous research has also not provided a clear result regarding the relationship between financial performance and company size, and the relationship between company size and CSR costs. There is also no other research that include intervening variable in the factors that effect CSR costs. Due to that, this research aims to establish how financial performance influences CSR costs and to assess the extent to which company size mediates this relationship. Focusing on the costs of Corporate Social Responsibility (CSR) and explore the variable that intervene the relationship become the novelty of this research. This research use legitimacy theory in building the hypothesis. legitimacy theory explains that the sustainability of a company depends on society's acceptance of its existence and business practices. (Belinda *et al.*, 2023) believe that within legitimacy theory, a business must comply with existing laws in society when entering into environmental contracts or agreements. The existence of social responsibility serves as a form of compliance with societal demands, so that public acceptance, or what is known as legitimacy, can be achieved by the company.

From a legitimacy theory perspective, companies with high profitability might be expected by society to contribute more to social and environmental well-being. The reason is because high profits signal financial capacity, so that a failure to engage in CSR will lead the public perceives the company as solely profit-driven and not socially responsible. Due to that, profitable companies will proactively increase their CSR expenditures to demonstrate their commitment to societal values, maintain a positive public image, and secure their long-term social license. This perspective leads to the following hypothesis: H₁: Profitability ratio has an influence on CSR costs. In legitimacy theory, companies with high level of leverage will face pressure from creditors and other stakeholders who are concerned about the firm's financial stability and risk profile. To mitigate these concerns and maintain their legitimacy in the eyes of financial markets and the broader public, highly leveraged companies might engage in greater CSR activities. Demonstrating social responsibility can enhance companies reputation, signal long-term viability, and potentially reduce perceived risks, thereby reassuring creditors and other stakeholders. Through that perspective, the hypothesis is arranged as follows: H₂: Leverage ratio has an influence on CSR costs. A large size company are typically more visible, contribute more substantially to societal well-being, and face higher public pressure. This increased visibility means they are under greater pressure to demonstrate their social responsibility and maintain their legitimacy. When a large company is highly profitable, society's expectation for them to contribute to social welfare through CSR activities increases. Thus, a highly profitable large company might feel a stronger imperative to incur higher CSR costs to align with societal expectations and avoid potential legitimacy threats.

The theoretical link between profitability ratio serves as the foundation for developing of the following hypothesis. H₃: Company size can mediate the influence of profitability ratio on CSR Costs. Highly leveraged companies will be under significant financial pressure from creditors to ensure their financial stability and ability to repay debts leading to increase of significant voluntary CSR costs. On the other hand, larger companies are more visible, which means they experience significantly greater pressure from the public. The existing relationship between company size and leverage indicates an intervening effect, which forms the basis for this hypothesis. H₄: Company size can mediate the influence of DER on CSR Costs. The study intends to give contribution to the existing literature in further exploration to the elements that influence the amount of CSR expenditure allocated by a company. In addition, this research also aims to assist company management in designing CSR strategies that are aligned with financial performance

and consider the characteristics of company size, as well as to help investors invest in the right companies that can allocate CSR costs according to financial performance while considering company size.

2. Literatur Review

Industrial expansion delivers output and jobs but also produces environmental pressure, especially in mining where land conversion and waste are substantial. Large-scale deforestation linked to industrial mining has been documented across tropical regions, including Indonesia (Giljum *et al.*, 2022). In Indonesia, CSR is embedded in corporate governance through Law No. 40/2007, which pushes firms to budget for programs that address social and environmental risks while sustaining operations (Pemerintah Republik Indonesia, 2007). Legitimacy theory frames CSR spending as a way to secure social approval: firms align visible actions with public expectations to keep their “social license” (Belinda *et al.*, 2023). Visibility, scrutiny, and resource capacity vary across firms, which means CSR budgeting will rarely be uniform. Many Indonesian studies use CSR disclosure in annual or sustainability reports as the main proxy for social performance (e.g., Hunafah & Zahwa, 2022; Putra & Setiawan, 2022). Disclosure is informative, yet narrative breadth does not always track cash outlays. A company can publish richer stories without increasing the budget for programs, or fund programs quietly without elaborating on them. Research that focuses on CSR costs including environmental cost ratios targets the budget decision more directly and therefore complements disclosure-based evidence (Dwi & Handayani, 2018; Hapsoro & Adyaksana, 2020; Zainab & Burhany, 2020). Findings on profitability are mixed. Several papers report a positive link between profitability and CSR disclosure, often interpreted as firms with stronger earnings having room to communicate broader social initiatives (Mudah & Retnani, 2020; Putra & Setiawan, 2022; Hunafah & Zahwa, 2022). Evidence on costs, however, is not always aligned. Lucky *et al.* (2024) show profitability does not predict CSR spending in transportation and logistics firms. Corporate finance theory offers a plausible reason: when internal projects promise high returns, managers may channel cash toward expansion, efficiency upgrades, or technology rather than social programs in the short run (Sudana, 2015; Kasmir, 2014). The net effect of profitability on CSR budgets can therefore be positive, negative, or negligible depending on growth opportunities, stakeholder pressure, and planning horizons. Leverage tends to pull in the opposite direction. Higher debt loads bring tighter liquidity, covenant monitoring, and lender oversight. Under those constraints, discretionary outlays—CSR among them—are the first to be reviewed or postponed. Empirical studies in Indonesia frequently find a negative association between leverage and CSR behavior, including spending decisions (Ulla *et al.*, 2023; Lucky *et al.*, 2024). The strength of the effect will depend on maturity structure, interest costs, and covenant flexibility, but the direction is consistent with a setting where debt service ranks above social programs when cash is tight.

Firm size enters the discussion in two ways: as a direct predictor and as a mediator. Size is commonly measured as the natural logarithm of total assets (Setiadi, 2021; Wulandari & Rahmawati, 2023). Large firms are more visible, face wider stakeholder scrutiny, and typically command greater organizational capacity. Many studies connect size with broader CSR disclosure, though results are not universal (Hunafah & Zahwa, 2022; Putra & Setiawan, 2022; Ulla *et al.*, 2023). As a mediator, size can transmit the impact of financial performance to CSR costs. When profitability rises in a large firm, visibility and internal capacity can convert the surplus into programs at scale; in small firms, the same profit shock may be absorbed by reinvestment or precautionary reserves. By contrast, heavy leverage can suppress CSR spending regardless of scale when lenders’ priorities dominate budget choices. The Indonesian mining sector offers a strong setting for testing these relationships because environmental externalities are salient and public pressure is persistent. Prior work has leaned heavily on disclosure; studies that center on expenditure remain fewer, and even fewer examine whether size sits between financial performance and CSR budgets. Post-pandemic years add another layer—volatile commodity prices, changing cost of capital, and a stronger push for sustainability reporting—all of which can reshape budget allocations. Against that backdrop, four questions matter: whether profitability predicts CSR costs, whether leverage does so, whether size helps explain how profitability translates into budgets, and whether size changes

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the leverage–CSR link. The literature points to clear mechanisms and mixed empirical patterns, which makes an expenditure-focused test on a high-impact sector both necessary and timely (Giljum *et al.*, 2022; Dwi & Handayani, 2018; Hapsoro & Adyaksana, 2020; Lucky *et al.*, 2024; Setiadi, 2021).

3. Research Methodology

3.1 Conceptual framework

Figure 1 shows the framework of this research that describe the the direct influence of profitability ratio and leverage ratio on CSR costs and the influence of profitability ratio and leverage ratio on CSR costs that being intervene by company size.

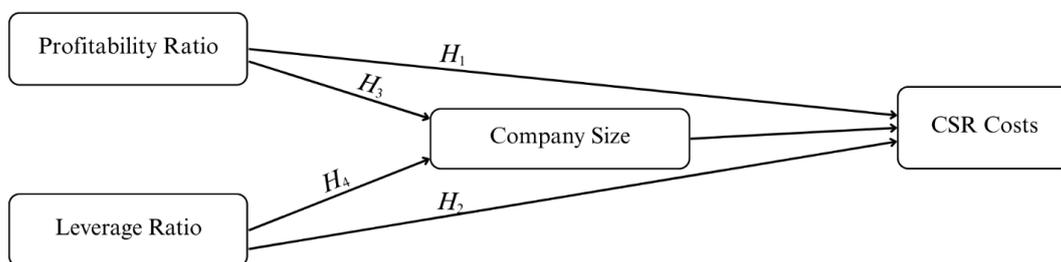


Figure 1. Conceptual Framework

3.2 Research Variables

Financial performance will applicate as independent variable because it's able to illustrate the company's financial condition over a specific period (Simamora *et al.*, 2022). By simply looking at a company's profitability and leverage ratios, investors can be attracted to the company's financial performance achievements (Ulla *et al.*, 2023). Therefore, profitability ratios and leverage ratios are used as the independent variable in this research. Profitability ratios indicate a company's effectiveness in generating earnings. Understanding a firm's profitability ratio provides investors with insight into its financial health. This ratio is evaluated using the Return on Assets (ROA) method based on the following formula (Wulandari & Rahmawati, 2023):

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}}$$

On the other hand, leverage ratio describes the ability in using assets or funds that have a certain exposure, referring to the extent to which the company can effectively manage these resources to achieve its goals, namely maximizing the value and benefits of the company's assets optimally. This includes risk management, efficiency, and strategies designed to increase the productivity and profitability of the assets owned (Putra & Setiawan, 2022). The Debt to Equity Ratio (DER) is generally employed to measure leverage, which can be determine with following formula (Priyanto & Robiyanto, 2020):

$$\text{Debt to Equity (DER)} = \frac{\text{Total Liabilities}}{\text{Total Equities}}$$

The dependent variable used is CSR cost which will be measured specifically through environmental cost. Environmental cost refers to expenditure as result of poor environmental condition or cost incurred to prevent environmental damage (Zainab & Burhany, 2020). (Setiadi, I, 2021) and (Siregar *et al.*, 2025) explain that the measurement of environmental cost can be done using the environmental cost ratio, which is a ratio between the amount of environmental cost allocated by the company and the net income earned

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during the year. According to (Hapsoro & Adyaksana, 2020) and (Subaida *et al.*, 2023), the measurement of the environmental cost ratio can be formulated as follows:

$$\text{Environmental Cost Ratio} = \frac{\text{Environment Cost}}{\text{Net Income}}$$

The intervening variable utilized in this research is company size. Company size is measured based on the natural logarithm of the total assets. The natural logarithm transformation is utilized to stabilize data variance resulting simplification of total assets without changing the proportion of the actual value (Diana & Osesoga, 2020). (Setiadi, 2021), (Wulandari & Rahmawati, 2023), dan (Putra & Setiawan, 2022) Measurement of company size utilized the formula presented below:

$$\text{Company Size} = \text{Natural Logarithm Total Assets}$$

3.3 Population and Sample

Quantitative approach is used in this research with 57 mining companies officially listed in the Indonesia Stock Exchange as the population. Sample selection was conducted by utilize purposive sampling method with criteria stated in Table 1. The documentation technique is used in data collection through Indonesia Stock Exchange’s official website and official websites of the company. Annual reports and sustainability reports from 2021-2023 are collected as secondary data.

Table 1. Sample Selection

Sample Criteria	Amount
Mining company listed in the IDX up to 2023	57
Mining company that not listed in the IDX in 2021	(1)
Mining company that not provide annual reports consecutively from 2021-2023	(5)
Mining company that did not present environmental costs in their annual reports	(20)
Total companies that meet the criteria	31
Number of samples tested (from 2021-2023)	93

3.4 Analysis Technique

Before conducting the tests, descriptive statistics were applied to provide an overview of the research data, such as the mean, standard deviation, and frequency distribution. The data is analyze with multiple linear regression along with the classical assumption tests, consisting of multicollinearity test, autocorrelation test, normality test, and heteroscedasticity test. By using the SPSS software version 30, the multiple linear regression analysis was conducted to understand the relationship between the dependent and independent variables. Thus, the Sobel test based carried out by utilizing the regression coefficients and standard errors to determine the intervening role of the intervening variable.

4. Results and Discussion

4.1 Results

4.1.1 Descriptive Statistics

The descriptive statistics analysis must be conducted before performing more in-depth statistical tests in order to provide an understanding of the subsequent hypothesis testing results. The descriptive statistics of this research shows in table 2, which describe the average, maximum, minimum, and Standard Deviation (SD) values of each variable. The minimum value of ROA is 0,26 and maximum value of 0,616, with an average value of 0,125 and a deviation standard of 0,17. This result shows that the companies observe have various value of ROA. On the other hand, DER variable has minimum value of 0,007 and maximum value of 5,534. The average value of DER is 1,019 with standard deviatio of 1,379. It means the companies observe have very different levels of DER. The company size of the observe companies are ranged from 14,863 to 31,446, with an average value of 23,421 and Deviation Standard of 4,22. This shows the different size of each companies observe are moderately diverse. The Environment Cost Ratio (ECR) are fairly ranged from 1,364 till 2,999. The average value of ECR is 0,059 and the deviation standard is 0,382. This result indicates the companies already allocate an appropriate portion of CSR costs. The statistic descriptive that have been done on the sample of 93 companies of each variable are representative enough to be used in further analysis.

Table Descriptive statistic

Variable	Minimum	Maximum	Mean	Deviation Standard
ROA (X1)	0,260	0,616	0,125	0,170
DER (X2)	0,007	5,534	1,019	1,379
CS (Z)	14,863	31,446	23,421	4,220
ECR (Y)	1,364	2,999	0,059	0,382

4.1.2 Classical Assumption Test

Before conducting multiple regression analysis, an initial step involves performing classical assumption tests. These tests are essential to ensure that the linear regression model adheres to statistical requirements, thereby yielding unbiased, consistent, and efficient parameter estimates. The primary function of this test is to guarantee the reliability and validity of the research. A detailed explanation of the classical assumption tests conducted are as follows.

1) Normality Test

The normality test constitutes a fundamental classical assumption utilized to confirm that the data distribution among dependent and independent variables is normal. By using the One-Sample Kolmogorov-Smirnov test, the data can be considered normally distributed if its Asymp-Sig (2-tailed) value is above 0.05.

Table 3. Normality test

Variable	Kolmogorov-Smirnov	Asymp-Sig (2-tailed)
CS (Z)	0,114	0,094
ECR (Y)	0,078	0,200

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Table 3 shows the result of normality test using the One-Sample Kolmogorov-Smirnov test. Based on the table, Asymp-Sig (2-tailed) value for both variables is exceeding 0.05, thus indicate that the dataset in is normally distributed.

2) Multicollinearity Test

Multicollinearity testing aims to identify the presence of a significant linear relationship among independent variables within the regression model employed. The interrelationship among independent variables can be assessed by examining the Variance Inflation Factor (VIF) and tolerance values. Independent variables in the regression model are considered not to be highly correlated if the VIF value is less than 10 or the tolerance value is greater than 0.10.

Tabel 4. Multicollinearity Test

Dependent Variable	Independent Variable	Tolerance Value	VIF Value
CS (Z)	ROA (X1)	0,967	1,034
	DER (X2)	0,967	1,034
ECR (Y)	ROA (X1)	0,918	1,089
	DER (X2)	0,931	1,074
	CS (Z)	0,899	1,112

Table 4 present the multicollinearity test results with all of the tolerance values are ≥ 0.10 and the Variance Inflation Factor (VIF) is ≤ 10 . This suggests the absence of multicollinearity between the dependent and independent variables.

3) Heteroscedasticity Test

The heteroscedasticity test aimed to assess the constancy of the absolute residual variance across all observations. The heteroscedasticity test in this research was diagnosed visually through the use of a scatter plot. Through a scatter plot graph, heteroscedasticity can be detected if the distribution of data points is isn't distributed fairly and forms a certain pattern.

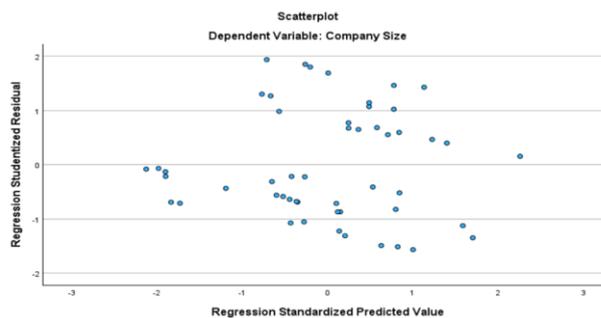


Figure 2. Scatterplot Graphic on Model 1

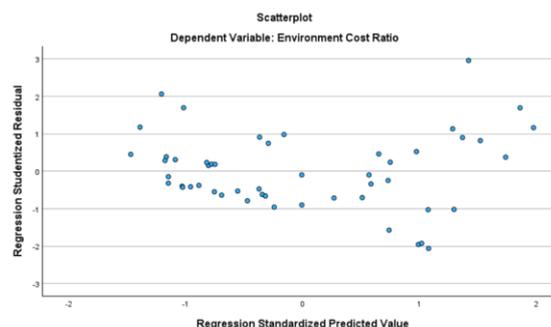


Figure 3. Scatterplot Graphic on Model 2

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Based on Figures 1 and 2 above, it can be observed that both research models do not form any particular pattern on the scatterplot graphs. Therefore, both research models are considered not to have heteroscedasticity.

4) Autocorrelation Test

An autocorrelation test assesses whether observations variables in a time series are correlated with their own past values, which is crucial for validating statistical model assumptions and identifying underlying temporal patterns. In this study, the Durbin-Watson test was employed to assess for autocorrelation. The presence of autocorrelation was determined through comparison of Durbin-Watson statistic with the Durbin Upper (dU) value. The research model is free from autocorrelation if $dU < DW < 4 - dU$.

Tabel 5. Autocorrelation Test

Dependent Variable	Durbin Upper	Durbin-Watson	4 - Durbin Upper
CZ (Z)	1,6309	1,725	2,3691
ECR (Y)	1,6754	1,706	2,3246

Based on table 5, the condition $dU < DW < 4 - dU$ is met for both dependent variables in the 2 tested models. Tabel 5 shows that the first model with Z as the dependent variable shows a value of $1.6309 < 1.725 < 2.3691$, while the second model with variable Y as the dependent variable shows a value of $1.6754 < 1.706 < 2.3246$. Thus, it can be concluded that there is no autocorrelation between variables in both research models that were conducted.

4.1.2 Hypothesis Test

To determine the impact of the independent variables on the dependent variable across each research model, hypothesis testing utilized multiple linear regression. On Table 6, the R Square value of the first regression model in this research is 0.165 or 16.5%. This value shows that Company Size as variable Z can be influenced by ROA and DER by 16.5%, which means other factors that were not included in this research have the remaining 83.5% influence on Company Size. Meanwhile, the second research model has an Adjusted R Square value of 0.681 or 68.1%, which means that the Environmental Cost Ratio as variable Y can be influenced by ROA, DER, and Company Size by 68.1%, while the remaining 21.9% attributable to unexamined factors not included in this model.

Table 6. Multiple Linear Regression

Model 1				
The Effect of Variable X on Variable Z				
Variable	Unstandardized	Error Standard	Coefficient	Sig.
Constant	23,407	1,548		< 0,001
ROA (X1)	15,355	6,877	0,303	0,030
DER (X2)	-2,606	1,623	-0,218	0,115
Dependent Variable		CZ (Z)		
R Square		0,165		
Model 2				
The Effect of Variable X and Z on Variable Y				
Variable	Unstandardized	Error Standard	Coefficient	Sig.
Constant	-0,028	0,006		< 0,001
ROA (X1)	-0,037	0,011	-0,278	0,002
DER (X2)	-0,005	0,003	-0,177	0,038
CZ (Z)	0,002	0,000	0,812	< 0,001
Dependent Variable		ECR (Y)		
Adjusted R Square		0,681		

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Based on Table 6, the regression results indicate that Return on Assets (X1) significantly impacts CSR Costs (Y) with a significance value of 0.002, which is less than 0.05. This result leads to the conclusion that profitability ratio significantly influences CSR costs, thus supporting H₁. Furthermore, the regression coefficient of -0.037 demonstrates a negative relationship between profitability ratio and CSR costs. Similarly, the regression results for Debt to Equity Ratio (DER) (X2) on CSR Costs (Y) reveal a significant effect. With a significance value of 0.038, which is less than 0.05, which mean the leverage ratio significantly impacts CSR costs, thereby supporting H₂. The regression coefficient of -0.005 indicates a negative influence of leverage on CSR costs.

Table 7. Sobel Test on ROA

	Indirect Effect	Test Statistic	P-Value
a	15,355	2,233	0,026
b	0,002		
SE _a	6,877		
SE _b	0,000		

Based on Table 7, The Sobel test revealed a significant indirect relationship where profitability (X1) impacts the environmental cost ratio (Y) that being intervene by company size (Z), has a probability value of 0.026 < 0.05. Therefore, it can be concluded that H₃ is accepted.

Table 8. Sobel Test on DER

	Indirect Effect	Test Statistic	P-Value
a	-2,606	-1,606	0,108
b	0,002		
SE _a	1,623		
SE _b	0,000		

Based on Table 8, the Sobel test results for the indirect effect of the leverage ratio (X2) on the Environmental Cost Ratio (Y) that being intervene by Company Size (Z), show a probability value of 0.108 > 0.05. The finding does not support H₄.

4.2 Discussion

The data analysis indicates a significant effect of profitability on CSR costs, with a significance value of 0,002 and the regression coefficient of -0,037 that indicates a negative influence. It means companies with higher profitability will allocate lower CSR costs. This is because companies with high financial performance, reflected in the profitability ratio, tend to focus on allocating their earned profits to further develop the company. Previous research by (Rosa & Octaviani, 2020) supported the results showing the company's management will also focus on increasing profits in the following periods; conversely, an increase in CSR costs is often considered a non-urgent expense. Companies may even reduce CSR costs if it is considered to increase the company's net profit due to a decrease in the burdens borne by the company. This is certainly contrary to legitimacy theory, which asserts that companies are responsible for allocating CSR costs as a form of contribution to society to gain recognition, regardless of the company's profitability level. The data analysis indicates a significant effect of leverage on CSR costs, with a significance value of 0,038 and The negative regression coefficient of -0.005 suggests that firms with higher leverage tend to allocate fewer resources to CSR initiatives. (Ulla *et al.*, 2023) stated the same result, which is that the leverage ratio has a negative influence on CSR costs. A high DER condition reflects an unhealthy financial condition in a company because of the significant amount of outstanding debt, so resources are going to be focused on debt repayment. (Lucky *et al.*, 2024) explains that the amount of funds allocated for CSR costs is affected because the company will strive to maintain the availability of funds to pay off company debts.

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This is certainly contrary to legitimacy theory, which considers the allocation of CSR costs to maintain legitimacy from stakeholders as mandatory as a form of response to society, regardless of the company's financial condition. The data analysis indicates a intervening role of company size in the relationship between profitability ratios and CSR costs, with a probability value of 0.026. Research by Khuzanisa (2021) suggests that large company already established a strong reputation among stakeholders. This strong reputation will impact to the potential for companies to reduce their CSR expenditures even in high profitability condition without significant concern for reputational damage. Furthermore, this research challenges legitimacy theory, which posits that CSR costs should be an obligation for companies regardless of their size or profitability. The data analysis also concludes there's no intervening role of company size in the relationship between leverage ratios and CSR costs. Regardless of whether a company is large or small, the amount of corporate debt, as reflected by the leverage ratio, does not appear to be a consideration for companies when allocating CSR costs. Previous research by (Parwati & Dewi, 2021) and (Tjondro *et al.*, 2024) state that company's decision to allocate CSR costs is based on its obligation to contribute to the surrounding community, adapting to the needs or problems faced. Consequently, this aligns with legitimacy theory, as the leverage ratio remains irrelevant in CSR cost allocation regardless of company size.

5. Conclusion

This research finding leads to a conclusion that profitability ratio significantly influences CSR costs, but the influence is negative so the increase of profitability will result in decrease of the CSR costs allocation. The study also reveals that the leverage ratio significantly and negatively impacts CSR costs, meaning that an increase in leverage ratio also going to decrease the amount of CSR costs allocated by the company. Furthermore, company size has an intervening role in the influence of the profitability ratio on CSR costs. However, company size as a intervening variable is not able to intervene the influence of the leverage ratio on CSR costs. This research contributes to academics in expanding knowledge regarding CSR costs and the factors that can influence them, as well as the factors that can mediate these influences. This research also contributes to practitioners, especially company management, in formulating CSR costs. Although profitability is important for companies, it is advisable for companies to maintain a balance between the allocation of funds for CSR costs and the costs for company development. This is because the allocation of CSR costs is a form of responsibility towards social and environmental issues, as well as a long-term investment in the company's sustainability. On the other hand, reducing CSR costs for the sake of short-term profit increases will harm the company in the long run because it impacts the company's legitimacy in the eyes of stakeholders.

6. References

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