CORPORATE SOCIAL RESPONSIBILITY AS MEDIATOR BETWEEN ENVIRONMENTAL AND FINANCIAL PERFORMANCE

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BACKGROUND: In the context of modern dynamic business, issues of sustainability and corporate social responsibility (CSR) have become a major concern along with increasing global challenges such as climate change, ecosystem degradation, and resource scarcity, as well as demands for transparency from stakeholders such as consumers, investors, and regulators. Companies can no longer pursue financial gains, but are also required to demonstrate their commitment to environmental sustainability and social contribution. Theoretically, the relationship between environmental performance and financial performance is still debated; this underscores the need for more comprehensive and contextual studies to examine whether CSR truly mediates the relationship between environmental performance and financial performance, particularly in the manufacturing sector in developing countries that contribute significantly to pollution, waste, product safety, and labor issues.
METHOD: The approach used is quantitative, with secondary data obtained from the annual reports of companies listed on the Indonesia Stock Exchange. The main focus of this study is to examine the direct and indirect effects of CSR on the relationship between environmental performance and financial performance.
RESULTS & DISCUSSION: The study's results indicate that CSR does not have a significant direct influence on the relationship between environmental performance and corporate financial performance. Although CSR can improve a company's image and relationships with stakeholders, its impact on financial performance is not immediately apparent in the short term. These findings support the view that CSR is more effective in building legitimacy and public trust. Therefore, integrating CSR into long-term business strategies remains important, as it can provide indirect benefits such as strengthening the company's competitive position and reducing operational risks.
CONCLUSION: This study provides a deeper understanding of the complex relationship between Corporate Social Responsibility (CSR), environmental performance, and corporate financial performance. The findings show that although CSR is expected to have a positive impact on corporate reputation and gain broad social support, there is no significant evidence that CSR practices directly affect corporate financial performance. These results indicate that the influence of CSR is more often observed through increased social legitimacy and improved stakeholder relations than through direct impacts on financial figures. This study has significant practical value in both scientific and business fields. The uniqueness of this study lies in its innovative approach to exploring the relationship between corporate social responsibility (CSR), environmental performance, and corporate financial performance in the contemporary industrial landscape. By delving into this complexity, this study equips practitioners and policymakers with new insights to integrate corporate social responsibility (CSR) into their business strategies as a sustainable investment in corporate reputation and stakeholder relations.
KEYWORDS: Corporate Social Responsibility; environmental performance; financial performance; corporate reputation