The Effect of Corporate Social Responsibility on Return on Assets, Return on Equity, and Net Profit Margin: Study of Food and Beverage Sub-Sector Companies Listed in the Indonesia Stock Exchange, 2016-2021

Nurdiana Ningsih, Alimuddin, Nadhirah Nagu, and Afdal Madein

ABSTRACT

This study aims to analyze the effect of corporate social responsibility (CSR) on financial performance, which is proxied by the ratios of return on assets (ROA), return on equity (ROE), and net profit margin (NPM). This study examined thirty populations of food and beverage sub-sector companies listed on the Indonesia Stock Exchange in 2016–2021. The sampling technique used was a non-probability sampling technique using purposive sampling, so that of the thirty listed companies, six companies met the sampling criteria. To analyze the data, simple linear regression analysis was used using SPSS 23 software. The results showed that: (1) corporate social responsibility has a positive and significant effect on return on assets; (2) corporate social responsibility has a positive and significant effect on return on equity; and (3) corporate social responsibility has no significant effect on net profit margin.

Keywords: Corporate Social Responsibility, Return on Assets, Return on Equity, Net Profit Margin, Financial Performance.

I. INTRODUCTION

The expansion of the Indonesian manufacturing sector is important for national economic growth and can provide a positive stimulus to increase business investment and productivity. One of the most important industries is the manufacturing and mining industries, which experience growth every year and can improve productivity thanks to the COVID-19 pandemic. This is evidenced by positive performance in the subsequent period, with the only exception being the food and beverage industry, which has been steadily increasing since the second quarter of 2021 (Lestari, 2022). The food and beverage industry in Indonesia is not only viewed financially, as this does not ensure the company's growth and development. Because a company's operational activities will have an impact on the environment, it must be concerned with more than just the people who own the company's stock (shareholders). As a result, in order to ensure the success of their operations, businesses must prioritize social and environmental concerns while implementing corporate social responsibility initiatives (Syahri & Astrie, 2021).

Every profit or non-profit organization must have a vision, mission, and goals, whereas the company is a business organization that seeks to maximize profit. The financial statements can be used to determine whether the company was successful in meeting its objectives. The financial statements contain critical information, such as the company's financial performance. Financial performance is a reflection of the company's financial foundation and a tool for determining whether the company is growing or not. According to Nurhidayah (2020), financial performance is the process of calculating, measuring, explaining, and providing solutions to a company's finances over a specific time period. Because of its very important role, companies need financial performance to evaluate the company's success in managing its finances.

Financial performance is a description of the company's status that can be analyzed utilizing financial analysis tools to determine the company's financial status beyond a set time period (Mustafa & Handayani, 2014). The measurement of
financial performance as outlined in the financial statements of a company is one of the factors that attracts investors to the company because this measurement is used as the basis for disclosing how big the role of management is (Sholihah & Fadiana, 2021). During this study, financial performance was measured using several indicators, including return on assets (ROA), return on equity (ROE), and net profit margin (NPM). All businesses strive for maximum profits by maximizing corporate value as well as the welfare of owners and shareholders. Based on the company's financial results, making economic decisions is no longer necessary. Private speculators are drawn to the social data presented in annual reports. As a result, a tool that can provide information on social, environmental, and financial aspects at the same time is required. Financial result evaluation is one of the most important factors in a company because it influences the company's decision-making process and is critical when making an important asset decision. It is also a method of achieving specific goals that are both effective and efficient (Azizah et al., 2022).

The factors that influence the company's value and profits are classified as financial and non-financial. Financial factors can describe how the company obtains and manages funds so that the use of these funds benefits the company. Social responsibility is one of the non-financial factors (Syahzuni & Florencia, 2022). According to the book “ISO 26000: A Standardized View on Corporate Social Responsibility”, companies all over the world, as well as their stakeholders, are becoming more aware of the needs and benefits of corporate social responsibility. This social responsibility initiative seeks to make a long-term contribution to sustainable development (Idowu, 2019). Disclosure of social responsibility can boost company profits in a variety of ways, including increased employee motivation and productivity, increased product acceptance among customers, and increased acceptance among environmentally conscious investors (Khlif et al., 2015).

According to Pratiwi's research on the relationship between social responsibility and profitability in banking companies, there is no significant relationship between social responsibility and ROA or ROE (Pratiwi et al., 2020). Meanwhile, according to Rilla Gantinno's research on manufacturing companies, social responsibility has an impact on ROA, ROE, and PBV (Gantino, 2016). Several other research literatures exhibit theoretical contradictions as well. Rosdwianti and Dzulkisriom (2016) discovered an effect of CSR on company profitability in the consumer goods industry sector in their study of the effect of CSR on ROA and ROE. Then, in a study conducted by Fatah and Haryanto (2016) on the effect of CSR on profitability in manufacturing companies in the basic and chemical industrial sectors, it was discovered that CSR had no effect on ROA and ROE. According to Mustafa and Handayani (2014), corporate social responsibility has no significant effect on net profit margin. Meanwhile, Gunawan and Yuanita (2018) discovered that corporate social responsibility has a significant impact on net profit margins.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

A. Stakeholder Theory

Stakeholders are all parties, both internal and external, who either directly or indirectly influence or are influenced by the company. Thus, stakeholders include both internal and external parties such as the government, competing companies, surrounding communities, the international environment, institutions outside the company (NGOs and the like), environmental monitoring agencies, company workers, minorities, and so on, whose existence affects or is affected by the company (Punaningsih, 2018). Strong stakeholder support for company activities can boost the company's disclosed corporate social responsibility (Saputri & Utami, 2021). Companies that do not pay attention to their stakeholders will struggle to obtain resource support to achieve optimal profit goals, even if their performance is good (Prasetyo & Meiranto, 2017). Based on the foregoing, it is possible to conclude that stakeholders are parties whose presence is critical for the company in order for it to carry out operational activities optimally and achieve company goals.

B. Legitimacy Theory

Companies can achieve their objectives well if they gain recognition (legitimacy) from the community in which they conduct their operations. The company must not only prioritize its own interests, but it must also be able to benefit the people who live near the company's operational locations (Saputri & Utami, 2021). According to legitimacy theory, businesses will continue to make efforts to ensure that their operational activities are always within the limits and norms that apply in society (Savira, 2021). According to legitimacy theory, businesses operate in a constantly changing external environment and strive to ensure that their behavior is consistent with societal boundaries and norms (Safira & Ridwan, 2015). Based on the arguments presented above, it is possible to conclude that Legitimacy Theory is recognition (legitimacy) for businesses that are recognized by the surrounding community and provide benefits to the surrounding environment.

C. Signaling Theory

The signal theory explains why companies have the incentive to share financial statement information with third parties. Because the company knows more about itself and its future prospects than outsiders, it encourages its employees to inform investors and creditors. They protect themselves by offering a low price for the company due to a lack of information about it for outsiders. A company's management action that informs investors about how management views the company's prospects is referred to as "signaling theory." Companies with profitable prospects will avoid selling stock and will seek additional capital through other means, including debt (Brigham & Houston, 2018). Reduced information asymmetry can boost firm value. Sending signals to outsiders, one of which is reliable financial data, reduces uncertainty about future company prospects contained in the annual report. (Mustafa & Handayani, 2014). Based on the foregoing, one could conclude that, according to the signaling theory, companies have to provide financial statement information to third parties in order to increase company value.
D. The Effect of Corporate Social Responsibility (CSR) on Return on Assets (ROA)

The implementation of CSR is thought to improve the financial performance of the company. Stakeholder theory explains the relationship between CSR and ROA. The quality of corporate social responsibility enables companies to establish effective relationships with stakeholders, increase the competitiveness of companies with market advantages, and improve financial performance. Return on assets refers to a company's ability to profit from its assets. The higher the return on assets, the more efficient the assets are at generating net profits, and the more appealing the company is to investors because the rate of return or dividends will be higher. As a result, by engaging in corporate social responsibility activities, businesses can improve shareholder welfare by taking into account the needs of all stakeholders and increasing profits from assets used. Thus, a company's return on assets will be affected if it practices corporate social responsibility (Inas & Mildawati, 2022).

Companies that engage in corporate social responsibility activities are increasingly trusted by the community, which benefits the company's products and reputation. This increases the public's familiarity with the company's products, which increases the public's desire to use the company's products. Increasing market interest in a company's products will increase the company's profit, which will have an impact on the company's return on assets (ROA). As a result, the company will be more appealing to investors because the rate of return or dividend will be higher (Pratiwi et al., 2020). The higher the ROA, the greater the institution's commitment to CSR, and thus the higher the asset productivity in generating net profit. As a result, the company will be more appealing to investors because the rate of return or dividend will be higher (Gahil & Winarsih, 2021).

Corporate social responsibility, according to Mustafa and Handayani (2014), should have no considerable effect on return on assets. Meanwhile, Fadhiyah and Priyadi (2015) discovered that corporate social responsibility affects the return on assets significantly.

Hypothesis 1: Corporate Social Responsibility has a significant effect on Return on Assets.

E. The Effect of Corporate Social Responsibility on Return on Equity

When the ROE value is high, it is expected that stock prices will rise (Matuszak & Róaska, 2017). CSR is a strategy used to achieve company objectives. When businesses practice CSR, they create a positive image in the community. If a positive image is created, the company will gain public trust and be able to generate consumer loyalty. Consumer loyalty will have an impact on profits by increasing sales. ROE is one tool for determining a company's profitability. The higher the ROE, the higher the profit generated by the company. Investors use a high ROE as one of the factors they consider when deciding whether or not to invest in a company.

Companies that engage in corporate social responsibility activities will gain a positive public image, increasing their public trust. This has the potential to increase consumer loyalty. Furthermore, product sales will increase, increasing the company's profits. Return on equity is one of several tools used to evaluate a company's profitability (ROE). The greater the company's commitment to corporate social responsibility (CSR), the higher the return on equity (ROE), and thus the higher the productivity of assets in generating net profit. The high value of return on equity (ROE) will be a factor for investors when deciding whether to invest in a company (Pratiwi et al., 2020). The greater the company's commitment to CSR, the higher the ROE, and thus the higher the asset productivity in generating net profit. The high ROE value will be a factor for investors when deciding whether to invest in a company. According to Sari and Azizah (2019), disclosure of social responsibility sends a positive signal to stakeholders, which is then rewarded with a positive response in the form of acceptance of the company's products, resulting in increased profits over time. According to Mustafa and Handayani (2014), corporate social responsibility has no significant effect on return on equity. Meanwhile, Gunawan and Yuanita (2018) discovered that corporate social responsibility has a significant impact on return on equity.

Hypothesis 2: Corporate Social Responsibility has a significant effect on Return on Equity.

F. The Effect of Corporate Social Responsibility on Net Profit Margin

The net profit margin is the company's net profit from each sale. The higher the net profit margin, the more effectively the company covers the costs of its operating activities. Companies that engage in CSR activities will have and will continue to have a positive and high reputation in society. According to Mustafa and Handayani (2014), in terms of corporate social responsibility disclosure, it can be seen whether a company's corporate social responsibility can increase or decrease profits.

The existence of corporate social responsibility increases the net profit margin because stakeholders become interested in the company's corporate social responsibility activities. As a result, it can be concluded that corporate social responsibility has an impact on the net profit margin. According to Mustafa and Handayani (2014), corporate social responsibility has no significant effect on net profit margin. Meanwhile, Gunawan and Yuanita (2018) discovered that corporate social responsibility has a significant impact on net profit margins.

Hypothesis 3: Corporate Social Responsibility has a significant effect on Net Profit Margin.

III. Method

This study employs a verification research design with an explanatory survey method. This type and method of research are used to explain phenomena in the form of variable relationships. This study investigates the relationship between the independent and dependent variables.

CSR is the independent variable in this study. CSR is a company's approach to business that benefits not only shareholders but also parties outside the industries such as the community or local communities, the government, workers, non-governmental organizations, and the environment. The GRI-G4 index of 91 items will be used to assess the CSR disclosure variable. The level of CSR disclosure in the company's annual report is stated in the CSR index, which is calculated by comparing the amount of disclosure made by
the company to that required by GRI. The calculation of CSR disclosure employs a dichotomous system in which, if stated, it is assigned a value of 1, otherwise a value of 0. The total value of each company will then be calculated by adding the values of all items.

\[
CSR_I = \frac{\sum x_{ij}}{n}\times 100\% \tag{1}
\]

where,

\[
CSR_I = \text{Corporate Social Responsibility company}
\]

\[
\sum x_{ij} = \text{The number of items disclosed by the company}
\]

\[
n_I = \text{Total number of items}
\]

The dependent variable in this study is financial performance as measured by profitability ratios such as ROA and ROE. The ability of a company to generate profit (return) on its total assets is referred to as ROA. ROA is another metric used to assess management's effectiveness in managing investments (Kasmir, 2016, p. 211). The ability of a company to generate profits with its own capital is measured by its ROE. ROE demonstrates the effective use of one's own capital. This ratio should be as high as possible. This means that the company owner's position is strengthening and vice versa (Kasmir, 2016, p. 204). (2) and (3) give the formula for calculating ROA and ROE.

\[
ROA = \frac{\text{Earning After Tax}}{\text{Total Assets}} \times 100\% \tag{2}
\]

\[
ROE = \frac{\text{Earning After Tax}}{\text{Total Equity}} \times 100\% \tag{3}
\]

NPM is a profitability ratio used to calculate how much profit a company generates after deducting taxes and interest on sales (Wismandana & Mildawati, 2015). The net profit margin is calculated by dividing operating profit by sales (Kasmir, 2018). The higher the ratio, the better, because the company's ability to increase profits through sales is quite high, and its ability to reduce costs is quite good (Hery, 2015). The NPM is used to calculate the profit a company receives from each sale or income.

\[
NPM = \frac{\text{Earning After Tax}}{\text{Selling}} \times 100\% \tag{4}
\]

This study uses data from 30 Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange from 2016 to 2021. The sampling method used is the purposive sampling method, namely sampling based on research on the characteristics of the sample members adjusted to the research objectives. The criteria are adjusted to the problems studied, namely: 1) Food and beverage sub-sector industries listed on the IDX between 2016 and 2021; 2) Food and Beverage sub-sector industries listed on the IDX that had an IPO (Initial Public Offering) during the 2016; 3) Food and Beverage sub-sector industries listed on the IDX that consistently publish annual reports containing corporate social responsibility between 2016 and 2021; and 4) Food and Beverage sub-sector industries listed on the IDX that based on the above criteria, six companies out of a total of 30 food and beverage sector industries listed on the IDX for the 2016-2021 period in this study met these criteria.

This observation makes use of quantitative data to examine a relationship between two or more variables using comparative causal research. Observations analyze data using descriptive statistical methods and analysis techniques by describing the data that has been collected. The purpose of this analysis is to describe the data in the variables using the mean, minimum, maximum, and standard deviation values (Ghozali, 2007). This observation was subjected to normality, heteroscedasticity, and autocorrelation tests. The relationship between variables X and Y was investigated using simple linear regression analysis. In this study, simple linear regression analysis was used. Simple linear analysis techniques can be used to investigate the effect of a single independent variable on a single dependent variable.

IV. RESULTS

A. Descriptive Statistics

Descriptive statistics determine the variables to be tested for each hypothesis by calculating the mean, standard deviation, and maximum and minimum values of the variables to test the validity of the hypothesis. Table I shows descriptive statistics for each research variable, namely CSR, ROA, ROE, and NPM.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>36</td>
<td>0.160</td>
<td>0.350</td>
<td>0.2514</td>
<td>0.0486</td>
</tr>
<tr>
<td>ROA</td>
<td>36</td>
<td>0.030</td>
<td>0.220</td>
<td>0.1150</td>
<td>0.0615</td>
</tr>
<tr>
<td>ROE</td>
<td>36</td>
<td>0.040</td>
<td>0.320</td>
<td>0.1744</td>
<td>0.0710</td>
</tr>
<tr>
<td>NPM</td>
<td>36</td>
<td>0.043</td>
<td>0.384</td>
<td>0.1426</td>
<td>0.0940</td>
</tr>
<tr>
<td>Valid N  (listwise)</td>
<td>36</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Processed data, 2022

The value of N in this study is 36, according to Table I. The CSR variable ranges from 0.160 to 0.350. The average CSR value is 0.2514, with a standard deviation of 0.0486. The ROA variable has a range of 0.030 to 0.220. The standard deviation is 0.0615, whereas the average is 0.1150. ROE is a variable that can range between 0.40 and 0.320. The standard deviation is 0.0710, whereas the average is 0.1744. NPM is a variable with a range of 0.043 to 0.384, while the mean is 0.1426 and the standard deviation is 0.0940.

B. Classical Assumption Testing

Classical assumption testing was used in this study to determine whether or not this research model was suitable for panel data regression testing. This research model must meet the requirements of the classical assumption test in order to qualify. Normality testing, multicollinearity testing, and heteroscedasticity testing are the three stages of traditional assumption testing. The one-sample Kolmogorov-Smirnov test was used to determine the normality of research data. The Monte Carlo Sig values are the requirements for normally distributed data that must be met by a research model. 2 (2-tailed) > 0.05 The data analysis results show the value of one-sample Kolmogorov-Smirnov. The effect of CSR on ROA is 0.078, the effect of CSR on ROE is 0.137, and the effect of CSR on NPM is 0.084, according to Monte Carlo Sig. 2 (2-tailed). As a result, the research data is normally distributed (the Monte Carlo Sig. 2 (2-tailed) value is greater than 0.05).
The heteroscedasticity test is performed after the normality test to determine whether there is a variance inequality from one observation's residual to another in the regression model (Ghozali, 2007). The Spearman's rho test was used in this study to assess heteroscedasticity by correlating the residual absolute value with each independent variable. The probability results of the Spearman's rho test are said to be significant if the value is greater than 5%, or 0.05, and do not show symptoms of heteroscedasticity.

**TABLE II: RESULTS OF HETEROSCEDASTICITY TEST (SPEARMAN'S RHO)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>p-value</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>0.998</td>
<td>No heteroscedasticity</td>
</tr>
<tr>
<td>ROE</td>
<td>0.583</td>
<td>No heteroscedasticity</td>
</tr>
<tr>
<td>NPM</td>
<td>0.210</td>
<td>No heteroscedasticity</td>
</tr>
</tbody>
</table>

Based on Table IV, it can be concluded that the results of a simple linear regression analysis of corporate social responsibility on return on assets using the regression equation are given in (5).

\[
ROA = 0.09 + 0.421 CSR
\]

According to (5), the constant value is 0.09, and the CSR regression coefficient value is 0.421. This regression coefficient is positive, indicating that there is a one-way relationship between CSR variables and ROA. According to the data analysis, the higher the level of CSR, the higher the rate of ROA, and vice versa. It is also possible to state that increasing the level of CSR by one unit increases the ROA by 0.421, assuming all other variables remain constant. Table IV shows that the significant value (p-value) of 0.048 is less than the significance level (0.048 > 0.05), implying that the hypothesis stating that CSR influences asset return (ROA) is accepted.

**TABLE IV: RESULTS OF CSR SIMPLE REGRESSION ANALYSIS ON ROA**

<table>
<thead>
<tr>
<th>Effect Between Variables</th>
<th>B</th>
<th>Std Error</th>
<th>t-statistic</th>
<th>Prob.</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR (\rightarrow) ROA</td>
<td>0.421</td>
<td>0.205</td>
<td>2.053</td>
<td>0.048</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Processed data, 2022

C. Coefficient of Determination

The coefficient of determination (R²) value, which is a measure of the magnitude of the independent variable's contribution to the dependent variable, or how much the independent variable explains the dependent variable. The R² value has a range of 0 to 1 (0 < R² < 1). The research data analysis yielded a coefficient of determination (R²) of 0.110 in the Y₁ equation. This means that the CSR variable can explain 11% of the ROA variable. The remaining 89 percent is explained by factors outside of this study. Furthermore, the Y₂ equation's coefficient of determination (R²) is 0.296. This means that the CSR variable can explain 29.6 percent of the ROE variable. The remaining 70.4 percent is explained by factors outside of this study. While the Y₃ equation has a coefficient of determination (R²) of 0.010. This demonstrates that the CSR variable can explain 10% of the NPM variable. While the remaining 90% is explained by factors outside of this study.

D. Simple Linear Regression Analysis

In a simple linear regression analysis, a linear relationship exists between one independent variable and one dependent variable. The relationship between corporate social responsibility and return on assets, return on equity, and net profit margin is predicted using this simple regression analysis. The following are the results of simple linear regression calculations performed in this study using the SPSS program.

**TABLE V: RESULTS OF CSR SIMPLE REGRESSION ANALYSIS ON ROA**

<table>
<thead>
<tr>
<th>Effect Between Variables</th>
<th>B</th>
<th>Std Error</th>
<th>t-statistic</th>
<th>Prob.</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR (\rightarrow) ROE</td>
<td>0.795</td>
<td>0.210</td>
<td>3.782</td>
<td>0.001</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Processed data, 2022

According to Table V, the following are the results of a simple linear regression analysis of corporate social responsibility on return on equity using (6).

\[
ROE = -0.025 + 0.795 CSR
\]

The constant value in (6) is -0.025, and the CSR regression coefficient value is 0.795. This regression coefficient is positive, indicating that there is a one-way relationship between CSR variables and ROE. According to the data analysis, the higher the level of CSR, the higher the rate of ROE, and vice versa. It is also possible to state that increasing the level of CSR by one unit increases the ROE by 0.795, assuming all other variables remain constant. Table V shows that the significance level (0.001 > 0.05) is less than the significant value (p-value) of 0.001, implying that the hypothesis stating that CSR affects ROE is accepted.
According to Table VI, the following are the results of a simple linear regression analysis of corporate social responsibility on net profit margins using (7).

\[ NPM = 0.138 + 0.019 \text{CSR} \]  

(7)

The constant value in (7) is 0.138, and the CSR regression coefficient value is 0.019. This regression coefficient is positive, indicating a unidirectional relationship between the CSR variable and the NPM. The processed data show that the higher the level of CSR, the higher the level of NPM, but in this study, this has no effect. This means that increasing the level of CSR by one unit has no effect on the NPM's value. The significant value (p-value) of 0.954 is greater than the significance level (0.954 > 0.05), implying that the hypothesis that corporate social responsibility has an effect on NPM is rejected (see Table VI).

V. DISCUSSION

A. The Effect of Corporate Social Responsibility on Return on Assets

The experiment results show that the CSR variable has an effect on the ROA. The implementation of CSR is thought to improve the company's financial performance. The relationship between CSR and ROA is explained by stakeholder theory. The quality of CSR enables companies to establish effective relationships with stakeholders, increase market competitiveness, and improve financial performance. The ability of a company to profit from its assets is referred to as “return on assets”. The higher the ROA, the more efficient the assets are at generating net profits, and the more appealing the company is to investors due to the higher rate of return or dividends. As a result, by engaging in corporate social responsibility activities, businesses can improve shareholder welfare by considering all stakeholders' needs and increasing profits from assets used. As a result, implementing CSR will have an effect on the ROA of the company.

This study's findings are consistent with those of Gunawan and Yuanita (2018), who discovered that CSR has a significant impact on ROA. Because the quality of CSR enables a company to establish effective relationships with stakeholders, increase the number of days a company is active in the market, and thus increase revenue and profits from technology use, this study's findings are consistent with those of Mustafa and Handayani (2014) and Inas and Mildawati (2022), who found that CSR has no statistically significant impact on ROA.

B. The Effect of Corporate Social Responsibility on Return on Equity

The test results show that the variable of CSR influences the ROE. Companies that engage in CSR activities will develop a positive public image, increasing public trust. This has the potential to increase consumer loyalty. Furthermore, product sales will increase, increasing the company's profits. According to stakeholder theory, if companies and stakeholders fulfill their CSR, they will reap personal benefits, increasing the company's value. The ROE ratio is used to evaluate companies that generate net income by utilizing stockholders' equity. The greater the ROE, the better the company's performance. The legitimacy theory, which states that a company's management system is oriented toward social values that benefit the environment, can explain the relationship between CSR and ROE. As a result, the return on equity is influenced by CSR.

This study's findings are consistent with Gunawan and Yuanita's (2018) discovery that CSR has a significant impact on ROE. ROE will be affected by CSR activities, with the company's ROE increasing as it strives to manage CSR in accordance with regulations. This study's findings, however, contradict those of Mustafa and Handayani (2014) and Inas and Mildawati (2022), who discovered that CSR has no effect on ROE.

C. The Effect of Corporate Social Responsibility on Net Profit Margin

The experiment results show that the corporate social responsibility variable has no effect on net profit margin. Companies that engage in corporate social responsibility activities can attract consumer attention, resulting in higher profit margins and sales levels. The higher the profit margin, the better the company's CSR activities, particularly in terms of products and consumers. However, this is inversely proportional to the findings of the third hypothesis of this study.

According to the findings of this study, many businesses fulfill their corporate social responsibility with the goal of promotion and empowerment. This study's findings support the findings of Mustafa and Handayani (2014), who discovered that corporate social responsibility has no effect on net profit margins. However, contrary to Gunawan and Yuanita's (2018) findings, CSR has no effect on NPM.

VI. CONCLUSION

Based on previous research and hypotheses, the following conclusions can be drawn: (1) According to the findings of the analysis, CSR had a positive impact on the profitability of food and beverage companies listed on the Indonesian stock exchange from 2016 to 2021. This is because CSR is important for increasing a company's ROA. (2) The analysis found that CSR has a positive impact on ROE. This is due to increased CSR, which enables businesses to increase their ROE while also improving and expanding their reputation. (3) The analysis found that CSR has no effect on NPM.

This study adds to the body of knowledge. This study adds to the stakeholder theory, which holds that all stakeholders have a right to information about company activities that can influence decision-making. Stakeholders in the implementation process include not only investors and creditors but also suppliers and customers, as well as the environment as a component of social life. Companies, according to stakeholder theory, cannot be divorced from their social environment. Companies must maintain stakeholder legitimacy and incorporate it into their policies and decision-making frameworks in order to support the achievement of corporate goals such as business stability and sustainable operations. This research also contributes to the legitimacy theory, which states that the mechanism of CSR is the practice of CSR toward society. This is consistent with
legitimacy theory, which states that businesses must operate within societal boundaries and norms. Society can recognize a company’s activities when it fully implements and discloses its CSR program. In addition to the theoretical contribution, this research makes a practical contribution to the company by demonstrating that companies that engage in CSR activities will gain a positive public image, resulting in increased public trust. This has the potential to increase consumer loyalty. The legitimacy theory, which states that the company's management system is directed at social values that support its environment, can explain the relationship between CSR and ROA and ROE. As a result, CSR affects the ROA and the ROE.

Companies in the food and beverage sector must pay close attention to their NPM. This is due to the fact that the NPM is the net profit earned by the company on each sale. The higher the NPM, the more effectively the company covers the costs of its operating activities. Companies that engage in CSR activities will have and will continue to have a positive and high reputation in society. The existence of CSR increases the net profit margin because stakeholders become interested in the company's CSR activities. As a result, it is possible to conclude that CSR has an impact on the NPM.

This study has limitations. Researchers hope that future research will yield better and more accurate results. (1) It is expected that additional independent variables such as good corporate governance, earnings management, leverage, company size, and other variables will be needed to explain a company's success in generating profits. (2) It is hoped that future research will be able to make use of other objects such as pharmaceuticals, cigarettes, mining, chemistry, and so on, not just in the food and beverage sub-sector. (3) It is hoped that future research will include more years of observation, as this study only used four years of observation, so that researchers can obtain more accurate results.

REFERENCES


