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Impact of Corporate Social Responsibility on Economic Value Added: The Role of the Supply Chain Management Environment at LQ45 Indonesia

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Abstract

Purpose – This research examined the effect and strategy of CSR (Corporate Social Responsibility) on EVA (Economic Value Added) using the SCME mechanism.

Methodology – Population data sets were derived from the index LQ45 for the period of August 2022 and compared to the previous six years. Furthermore, a purposive sampling technique was applied to conduct a regression analysis, while mediation used the Hayes process version 4.2, Model 8. The data set was compiled using information from IDX, Bloomberg, and Eikon platforms (Thomson Reuters).

Findings – The results highlighted four key conclusions, as follows: High CSR index companies observed a rise in EVA; SCME mediates the effects of CSR on EVA; Company size considerably modifies the effect of CSR on EVA; Company size significantly modifies the effect of CSR on SCME.

Originality – This research represents a novel attempt to investigate the relationship between CSR and EVA, the company size dimension's mediative role, and the SCME mediating role in Indonesia's LQ45 Index. The results present intriguing management, policy, and literature implications.

1. Introduction

CSR (Corporate Social Responsibility) is acknowledged as a strategy adopted by businesses to support society, the environment, and the global economy (Carroll, 1999). In recent years, its activities have drawn more attention from investors, consumers, suppliers, employees and the government. Many companies perform business with the aim of maximizing profit without considering social problems such as improper waste management, consumer rights violations, neglecting the safety and health of employees, or other problems that significantly impact the environment. CSR strategies arise from a company's unfavorable social, environmental, and economic impacts which stimulate public grievances, and demand for new policies (Gonzalez-Perez, 2013; Schiessl & Korelo, 2021). (Fombrun & Shanley, 1990) stated that when a company pays attention to social interests such as charitable donations, develops non-polluting products,

provides equal opportunities for employees, establishes foundations, and other activities related to society and the environment, then the company will earn a good reputation.

In many nations, large businesses play a considerable role in influencing the economy, society, and government (Bellandi, 2001; Doh et al., 2016) For example, Apple has a network of investors, app creators, and policies to lessen its influence on the environment while boosting education, accessibility, and diversity. This demonstrates the significance of major corporations for society. Apple is the largest employer in the world by market capitalization, with 80,000 direct employees and 1,980,000 indirect jobs created. Several approaches and indicators can be used to quantify the additional value of these companies. Therefore, this research assesses CSR strategies and its effect on the EVA of companies in Indonesia (Schiessl & Korelo, 2021; Suripto, 2020).

Given the importance of CSR, previous research highlights its influence on various management topics, such as the environment (Schiessl & Korelo, 2021), product innovation (Broadstock, 2019), financial success, brand reputation, and green innovation (Long et al., 2020; Shahzad et al., 2020). However, little is known about the effect of CSR and company size, on EVA. This necessitated the comparison of the LQ45 index for the months of August 2022 to January 2023 with that of 2016 to 2021 as listed on the IDX (Indonesia Stock Exchange), in this research.

The EVA tool measures financial strength by estimating the cost of capital (Suripto, 2020). It is the result of subtracting the Weighted Average Cost of Capital (WACC) from the Net Operating Profit After Tax (NOPAT), multiplied by the capital utilized to produce NOPAT. Therefore, a company's value declines when NOPAT is lower than the capital employed, and increases when NOPAT is larger than the capital employed (Jakub et al., 2015; Schiessl & Korelo, 2021). The EVA index, in contrast to conventional indicators, shows how much value a company generates over a specific time frame (Tortella & Brusco, 2003).

There is a dearth of research on the mechanics underlying the effect of CSR on EVA (Schiessl & Korelo, 2021). Therefore, this research stipulates that the best variable to take into account is the Supply Chain Management Environment (SCME) to fill this gap. Due to social tensions, government regulatory guidelines and environmental standards, organizations are required to emphasize SCME management (Abdul & Khan, 2017). Simultaneously, this affects the delivery chain partner procedures for SCME issues, management of related hazards (Rosen et al., 2001), consumer value perceptions (Yenipazarli et al., 2020), the perception of corporate sustainability (Liao, 2018) and company performance (Doran & Ryan, 2016). The SCME method must be structured and geared towards providing benefits to the company (Ehrenfeld, 2020; Richards, 2005; Robert U. Ayres, 1994). Furthermore, the size of the company should be accounted for when determining the effect of CSR on EVA. According to prior research, company size affects corporate growth by fostering more R&D practices, an SCME strategy, and higher performance.

This research examined company size as a mediative variable in the relationship between CSR, EVA, and SCME (Andries & Faems, 2013a; Schiessl & Korelo, 2021; Tsai & Wang, 2005). A regression analysis was carried out using Hayes process version 4.2 in Model 8, and SPSS version 27 to test the proposed model using sample data from 270 companies in Indonesia obtained from IDX, Eikon (Thomson Reuter platform), and Bloomberg. Furthermore, the LQ45 index in Indonesia was used to compare the period of August 2022 to January 2023 with sustainable reports from 2016 to 2021. This index consists of an outline of the parts recorded on the IDX and depicts a median of 45 stocks with the largest market capitalization and maintaining the best liquidity value. Moreover, the LQ45 index was launched in February 1997 and is checked every six months. The presence of various business actors carrying out Initial Public Offerings (IPO) will make the

LQ45 business entity in 2022 maintain its role and ability to compete with other companies. Therefore, this research represents a novel initiative to assess the influence of CSR strategy on company's EVA in Indonesia using secondary data. Managers and academics may use the data collection and analysis methodologies as inputs in future works. Managers can also track factors affecting a company's CSR strategy and commercial rivals using secondary data offered by various financial platforms.

There were four significant results observed; first, the company's EVA is considerably impacted by its CSR strategy. Second, the effect of CSR on EVA is significantly mitigated by the size of the organization. Third, Company Size significantly influences the relationship between CSR and SCME. Fourth, SCME mediates the effect of CSR on EVA. These results collectively highlight the relationship between CSR and EVA, offering fresh insights. Furthermore, two literary genres benefit from the results; first, this research adds to the field of knowledge by ascertaining the effect of company size and CSR adoption on EVA. Second, it examines SCME role as a mediator (Awaysheh et al., 2020; Song et al., 2020).

The conclusions render immediate ramifications for companies and managers, as actual market data was used to demonstrate the value of CSR. The mediating factors were also uncovered, where companies must implement SCME to boost EVA. Furthermore, the relationship between Company Size and EVA was also highlighted, and this study was concluded by offering certain implications for policymakers. CSR strategies should only be employed by significant companies and businesses. Additionally, policymakers must adopt regulations to encourage less developed industries and small businesses to apply CSR practices, thereby preserving company value.

The results also provide managers, researchers, and policymakers with a public perspective on the way businesses are being shaped by mounting CSR adoption demands. This research proposes that while developing CSR plans and rules, specific industries and company sizes should be accounted for. Furthermore, the first section introduces the key ideas of CSR and EVA, followed by the formulation of hypotheses involving Company Size and SCME as mediators. The research procedures, data analysis, and results were then presented, while the last section consists of the discussion of results and conclusion.

1.1 Corporate Social Responsibility (CSR)

Corporate social responsibility was first explored in the 1950s and is a form of duty to stakeholders, society, and the environment. Executives and academics have eventually evaluated its impact on a company's financial performance. Schiessl and Korelo (2021) proposed CSR indicators such as the CSR Disclosure Score (Porter & Van Der Linde, 2017; Schiessl & Korelo, 2021) which has been commonly applied in research. According to Kast (2003:212), CSR realizes organizational efforts to eradicate poverty and unemployment, carry out educational assistance, and enhance arts. This is based on the ideology that an organization is a system connected to society and must consequently recognize its philosophy and expectations. Based on previous literature, research on CSR has reduced the economic consequences of implementing this strategy. Furthermore, corporate transformation is fueled by customer demand, legislative policies, and social and environmental challenges (Kitzmueller & Shimshack, 2012; Porter, M.E. and Kramer, 2013).

CSR, similar to comparable concepts in the literature, has a variety of definitions and measurement categories. Its constructs include cultural, social, and economic factors, ethical and financial concerns, and environmental dimensions (Carroll, 1999; Palazzo et al., 2020a; Raimi, 2017). According to Windsor (2006), CSR can be conceptualized in a variety of ways. It is

characterized as a company's concern for social, environmental, and economic issues, motivated by social factors, policies, and ethical values.

Companies emphasize this because the primary goal is usually to realize increased returns and profits for shareholders. CSR is carried out to protect the environment, help the economy, and enhance society to attract value and repute for the Windse company (A. and D. S. McWilliams, 2016; Windsor & Windsor, 2006). Different social, environmental, and financial outcomes can be impacted by CSR methods (Sánchez-torné & Alvarez, 2020). Companies with high levels of CSR can enhance their value creation methods, which positively influences SCME, brand perception (Broadstock et al., 2020), and produces better financial performance (Friedman, 2007).

Based on prior research, a strong emphasis is placed on the financial benefits attained due to CSR. Companies also focus on this because the main objective is to create value and returns for shareholders. Therefore, in addition to adopting CSR to protect the environment, aid society, and boost the economy, companies perform this to boost their own value. An analysis of the impact of EVA on a company and its shareholders can be used to gauge the success of its CSR strategy (Kitzmueller & Shimshack, 2012; Subedi & Farazmand, 2020; Williams & Shepherd, 2017a).

1.2 Economic Value Added (EVA)

EVA enables capital owners to determine appropriate financial investments and control the company's operational implementation (Suripto, 2020). This includes different forms of measuring a company's financial performance. Consequently, this research examined EVA as a suitable indicator because it highlights the value created by a company to shareholders in a certain period (Jakub et al., 2015; Tortella & Brusco, 2003). If the EVA is positive, the assumption after the budget exceeds the expected expenditure of assets to form profits, including organizational actions, collectively adds to the value for the owners of capital or shares (Suripto, 2020).

The requirement for market investors and managers to assess whether a company is successfully generating value over time led to the creation of this financial performance metric. Traditional indices are singularly insufficient to assist managers and shareholders in identifying investment opportunities. Therefore, this index aids in a more accurate assessment of company performance. The EVA indicator measures WACC subtracted from NOPAT multiplied by the capital utilized to make NOPAT (Jakub et al., 2015; Suripto, 2020; Tortella & Brusco, 2003).

A company creates value for shareholders when it generates more NOPAT than invested capital and uses WAAC of this capital to manufacture and market goods and services. If a company has a high WACC that exceeds NOPAT and raises the cost of capital, it reduces shareholder value. Furthermore, EVA as a key performance indicator is used not only to evaluate company performance but also as a corporate planning tool. As one of the budget factors prepared by the company at the beginning of a certain period, the EVA matrix constitutes a significant objective that a company's management aims to achieve (Suripto, 2020).

The EVA can be used to analyze small and medium-sized businesses, support long-term business decisions, assess stock performance, evaluate public organizations, and determine the effect of SCME and social strategies on company performance (Bahri et al., 2011; Mittal et al., 2008; Shishany et al., 2020; Subedi & Farazmand, 2020). Although both CSR and EVA are crucial, few research examine CSR effect on EVA using enterprises in Indonesia, specifically regarding the LQ45 index. Therefore, CSR is expected to have a positive impact on company EVA, which formulated the hypothesis:

H_1: The greater the CSR index, the higher the EVA of Indonesian LQ45 companies

In conclusion, CSR increases the company's EVA by improving services and creating value for consumers and shareholders. However, intrinsic variables also affect company performance when adopting a CSR strategy, such as company size (Lantos, 2001; A. McWilliams et al., 2006; Schiessl & Korelo, 2021).

1.3 Company Size as a Mediative Role

According to Andries & Faems, (2013) and Leal-Rodríguez et al. (2015), company size has a significant impact on a company's performance. Compared to medium-sized and small businesses, large companies have greater resources to invest in SCME and structure, which significantly impacts the adoption of CSR (Dang et al., 2018; Grimstad et al., 2020).

All CSR characteristics are positively affected by company size. The financial performance of large organizations is also enhanced by significant connections between CSR and other factors (Audia & Greve, 2006; Jouini & Messai, 2020; Sánchez-torné & Alvarez, 2020). For instance, large companies invest more in SCME or the environment, which affects performance and the efficacy of CSR strategy. Managers are also promoted to take more risks which affect the expansion of the business (Audia & Greve, 2006; Karlsson, 2021a; Leal-Rodríguez et al., 2015b; Tsai & Wang, 2005). Furthermore, more research is necessary to determine whether the link between CSR and company size affects EVA. Previous studies stipulate that when the company size is higher, CSR strategy has a greater impact on EVA, which formulated the hypothesis:
H_{2a}: The Size of Indonesian LQ45 companies mediates the effect of CSR on EVA

Previous research (Gao et al., 2021) stated that large organizations have greater capabilities due to the possession of more resources, expertise, and SCME. Companies are also better equipped structurally to handle any SCME implementation difficulties. This factor motivates managers in large organizations to more effectively apply SCME. Moreover, it is believed that company size has an impact on SCME. More specifically, when a company is big, it is more successful because it has more money to invest in SCME (Audia & Greve, 2006; Sánchez-torné & Alvarez, 2020). Therefore, H_{2b} was formulated:
H_{2b}: The Size of Indonesian LQ45 companies mediates the effect of CSR on SCME

A company's size is a fundamental characteristic that is gauged in a variety of ways. This research measured this variable using total assets. Given that profit was not accounted for, this signifies that it may not be the ideal size. It is still a straightforward, understandable, and practical variable for companies. Meanwhile, company size positively affects EVA as larger organizations have more resources to invest and develop superior business plans (Karlsson, 2021a; Schiessl & Korelo, 2021).

1.4 The Mediative Role of SCME

Companies that use more CSR are more concerned about society, as it symbolizes a company's focus on developing sustainable strategies for its goods and services. It also ensures that their effectiveness calls for the dedication of stakeholders and managers (Brunnermeier & Cohen, 2003). Furthermore, the method through which companies minimize their influence on the environment or SCME is a crucial topic of discussion. Due to the ecological pillar of CSR, presenting it to companies also aids the development of environmental initiatives (Esty & Porter, 2002; Liao, 2018; Watson et al., 2018).

Previous research highlight that SCME improves the financial and environmental performance of companies (Carrión-Flores & Innes, 2010; Doran & Ryan, 2016), encourages green innovation and boosts customer perception of value. Additionally, this study concentrates on SCME as a singular business strategy to enhance company performance. CSR may also boost environmental factors, produce added value for consumers, and increase company performance (Song et al., 2020; Theyel, 2000; Yenipazarli et al., 2020). However, it is unclear whether the environment or SCME might act as a buffer between the effects of CSR strategy and company performance. This was determined using the following hypothesis:

H_3: SCME of Indonesian LQ45 companies mediate the relationship between CSR and corporate EVA

Furthermore, a model was formulated to depict variable interaction and test all relationships suggested above, as shown in Figure 1.

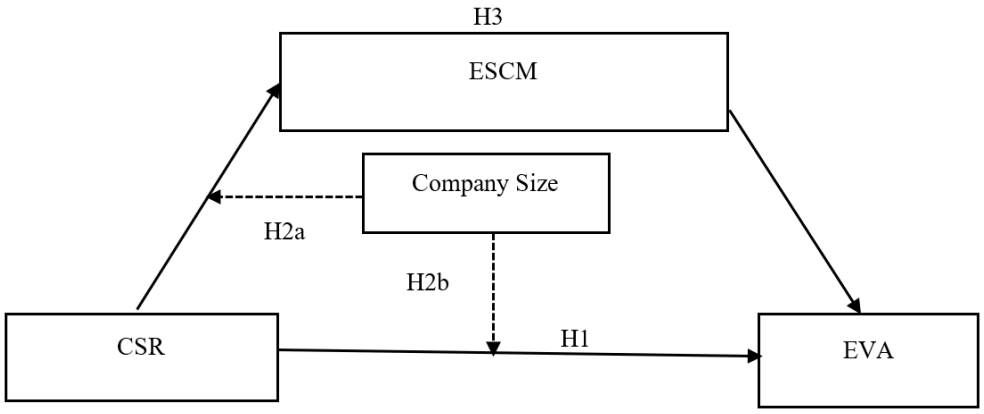


Figure 1. Framework

2. Research Methods

Based on Thomson Reuters, this research carried out data analysis using secondary data from the Eikon platform. Quantitative secondary analysis is an effective method for testing theories when using large amounts of data (Church, 2002; Ellram & Tate, 2016; Smith, 2009). The analysis involved six steps, namely identifying hypotheses, planning ways to test hypotheses, gathering data, summarizing data, drawing conclusions based on evidence, and interpreting results. The variables in this study are listed in Table 1.

Table 1. Research Variable

Variable Type	Variable	Measurement Indicator
Dependent Variable	EVA	EVA = NOPAT-WACC
Independent Variable	CSR	CSR Disclosure Score
Mediation Variable	SCME	SCME Disclosure Score
Mediation Variable	Company Size	Company Size = Log x Total Assets

Source: processed data, 2022

To verify the hypothesis, data was gathered based on the suggested factors using companies in Indonesia with annual revenues of at least $100 million from the LQ45 index, for the time frame

of August 2022 to January 2023. Due to the impact of the COVID-19 pandemic, this research selected the period from 2016 to 2021.

In the initial data collection, a total of 270 companies were found. However, this study focused on CSR, SCME, and EVA, therefore, companies with incomplete or missing data were removed from the final sample. Consequently, a total of 222 companies, were used to conduct the analysis. The average annual revenue was IDR178,854,279, while the average CSR, EVA, and SCME for companies were 44.14, 4,278,068, and 0.381, respectively.

This research used metrics offered by Thomson Reuters (Eikon platforms), Bloomberg, and IDX, as the basis for model evaluation. The indicators were computed by analysts who validated all data to create variables. New data and information were added to the data set every two weeks. Furthermore, annual reports, business websites, NGO websites, stock exchange filings, CSR reports, and news sources were used to gather information.

The Hayes process version 4.2 Model 8 were used to evaluate the suggested model. This approach is used mostly in academic and managerial research investigations. Additionally, because the Hayes process employs more than two variables in comparison to linear regression, it enables a more intricate analysis (Hayes, 2013a).

3. Results and Discussions

3.1 Descriptive Results

All companies with complete variable data (CSR, SCME, EVA, and Company Size (N = 222) were included in the data collection. The results showed that the LQ45 Index in Indonesia has the most companies with annual revenues of at least $100 million and the fullest set of variables. Although the LQ45 index lists 45 companies, the study criteria covered 37, totaling 222 companies in the number of samples investigated within the last six years.

Data was gathered by researchers regarding the business sector, and companies were divided up by Eikon into 11 separate segments. Figure 2 shows these segments and the number of businesses per segment in the data set.

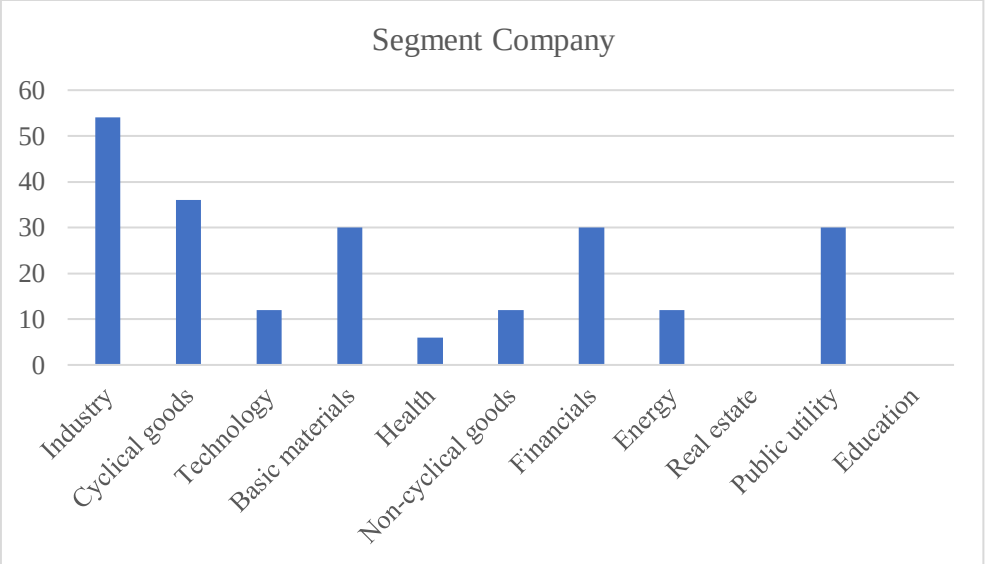


Figure 2. LQ45 Index Segment in Indonesia

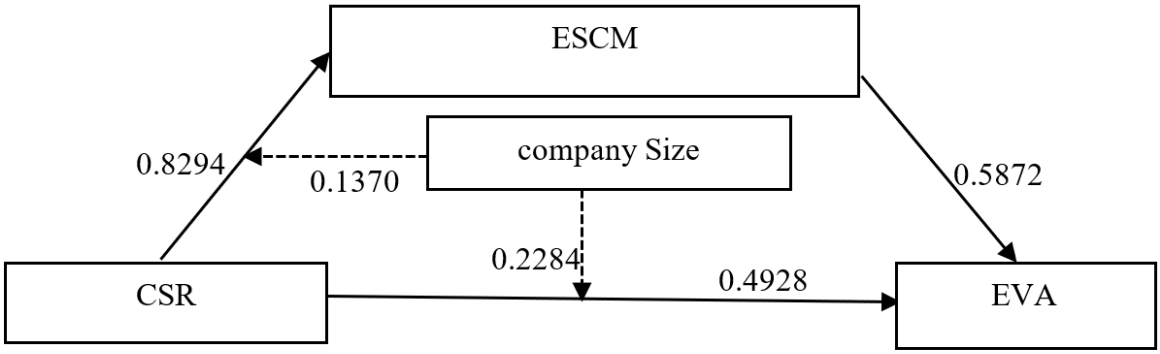
The data showed that the industry segment (N = 54) has the most companies, followed by cyclical products (N = 36) and financial (N = 30). In contrast, education (N = 0) and real estate (N = 0) are the industries with the fewest companies.

3.2 Conditional Model Results

To test the hypotheses, 222 bootstrap samples alongside the Hayes process were used. The R2 value for the regression results was 22.80, which suggests that CSR, environmental innovation, and business size account for 22.80% of the variation in EVA. This outcome was regarded as having a fair amount of predictive accuracy (Fairchild et al., 2009; Hayes, 2013b). Furthermore, Figure 5 shows the results of the regression coefficients which is the path that the model displays. Using this coefficient, the mechanism with which one variable influences another is observed. It is possible to observe that CSR approach has a sizable direct impact on EVA.

A model summary was provided with R, R-Sq, F, and P-value statistics for the entire model. A model summary for the outcome variable SCME (M) was also presented, where CSR (X) has a significant impact on SCME (M) (b = 0.8294, t = 29.9925, p < 0.001), Company Size (Z) has a significant effect on SCME (M) (b = 1.2743, t = 6.0156, p < 0.001) and Int_1 (CSR*Company Size) has a significant impact on SCME (M) (b = 0.1370, t = 0.030, p = 0.001). The graph showed a steeper gradient for low and average company sizes. The impact of SCME(M) is much stronger at the low and average Company Size (Z). However, at a higher role Company Size (Z), the lines tend to be straight. This signifies that at a higher Company Size (Z), an increase in Company Size (Z) causes similar changes in CSR (X).

From the model summary for the outcome variable EVA (Y), CSR (X) has a significant impact on EVA (Y) (b = 0.4928, t = 0.9283, p < 0.001), SCME (M) has a significant impact on EVA (Y) (b = 0.5872, t = 0.219, p < 0.001), Company Size (Z) has a significant effect on SCME (M) (b = 0.1270, t = 0.4583), p = 0.0007), and Int_1 (CSR*Company Size) has an insignificant effect on EVA (Y) (b = 0.2284, t = 0.0516, p = 0.0002). Therefore, in this summary model, the graph shows a steeper gradient for low and average Company Size (Z). The impact of EVA (Y) is more significant at a low and average Company Size (M). However, at a higher Company Size (M), the lines tend to be straight. This signifies that at a higher Company Size (M), an increase in EVA (Y) causes a similar change in CSR (X), as summarized below.



Notes:***p<0.000;**p>0.005

Figure 3. Research Outputs

The conditional effect shows that the LQ45 index has a high EVA (Effect: 0.4928; CI: 0.1908). Simultaneously, a low level of role of the company size (Effect: 0.4869; CI: 0.1948 to 0.3674) and a High level of role of company size (Effect: 0.1093; CI: 0.1903 to 0.2471) was observed.

Table 2. Output Reporting mediation

Direct Relationships	Unstandardized Coefficient	T values
CSR(X)->SCME(M)	0.8294	29,992
SCME (M)->EVA (Y)	0.5872	0.2190
CSR(X)->EVA(Y)	0.4928	0.9283
CSR (X)->Company Size (Z)->SCME (M)	0.1370	0.0300
CSR (X)->Company Size (Z)->EVA (Y)	0.2284	0.0516
Note: N = total number of research samples for the 6-year period 2016-2021 (37 samples x 6 years)		

Source: processed data, 2022

The results further demonstrate that SCME effectively mediates the effect of CSR on EVA. A company that has a higher CSR index must develop an SCME to raise its EVA.

Table 3. Output Indirect and Direct Effects

Indirect Relationships	Direct Effects	Indirect Effects (SE)	Low/High Confidence Intervals
CSR (X)->SCME (M)->EVA (Y)	0.4928	0.0462 (0.0270)	0.1908
Probing mediated Indirect Relationship	effects	SE	Low/High Confidence Intervals
Low Level of Role Company Size (Z)	0.4869	0.0011	0.1948/0.3674
High Level of Role Company Size (Z)	0.1093	0.0270	0.1903/0.2471
Index of Mediation	0.1903	0.0145	0.0121/0.0163

Source: processed data, 2022

Based on Table 3, the indirect effect of CSR (X) on EVA (Y) is mediated by SCME (M) (index=0.0011, 95% CI=(0.0121/0.0163) because 95% CI does not include zero.

Table 4. Hypothesis Overview

Hypothesis	Status
H_1: The greater the CSR index, the higher the EVA of Indonesian LQ45 companies	supported
H_{2a}: Company Size LQ45 Indonesia mediates the effect of CSR on company EVA	supported
H_{2b}: Company Size LQ45 Indonesia mediates the effect of CSR on SCME	supported
H_3: SCME LQ45 Indonesia mediates the relationship between CSR and corporate EVA	supported

Source: processed data, 2022

3.3 General Discussion

From the analysis, H_1, H_{2a}, H_{2b}, and H_3 were validated, as shown in Table 4. H_1 was supported by the results which refute the theory that companies with high CSR indices perform worse on EVA. According to previous research, CSR improves company behavior toward society, the environment, and the economy by simultaneously generating greater value for businesses and customers (Fernández-Gago et al., 2020; A. McWilliams et al., 2006; Schiessl & Korelo, 2021). These results specifically demonstrate that CSR brings value to companies.

Previous research suggests that a company's size can affect a number of factors such as performance and business growth. Therefore, a company's size may influence CSR results on EVA and SCME (H_{2a}, H_{2b}). This indicates that big companies and organizations allocate greater funding for CSR strategy development, leading to higher EVA (Ibhagui, O.W. and Olokoyo, 2018; Josefy et al., 2015; Karlsson, 2021b).

Based on the results, the relationship between CSR and Company Size significantly affects EVA. Similar results were observed regarding the effect of CSR on SCME where the LQ45 index has a high level of SCME, which increased EVA in line with H_{2a} and H_{2b}. Furthermore, previous research demonstrates that SCME is a crucial component of corporate value creation, improving company performance, influencing consumer value perceptions, company reputation, and the performance of green products (Doran & Ryan, 2016; Liao, 2018; Song et al., 2020; Watson et al., 2018; Yenipazarli et al., 2020). Therefore, SCME may act as a mediator between CSR and EVA (H_3), and the outcomes confirm that SCME mediates this impact and supports H_3, as expected.

A new mediating variable was added to the CSR literature to clarify its effect on company performance, as most prior research did not include mediators in their regression models. This research primarily examined the direct impact of a company's CSR policy on business success, albeit in a different setting (Palazzo et al., 2020b; Raimi, 2017). This current research closed this gap by proposing a fresh mediator. New methods of measuring and assessing these factors are required due to the environmental influence of CSR strategy to increase the understanding of the theory (Fernandez-Gago, Cabeza-Garca, and Godos-Dez, 2020; Lindgreen & Swaen, 2010). This research offers more knowledge about the variables that can be investigated while looking at CSR. Additionally, SCME proposed by Theyel (2000) is a fascinating construct that may be used to evaluate alternative theories and results previously investigated in the literature.

By providing yet another piece of evidence that SCME improves company performance, this research adds to the field of knowledge on SCME. Additionally, it contributes to the development of a more solid hypothesis about the advantages of companies that engage in CSR more actively (Carrión-Flores & Innes, 2010; Deng et al., 2020; Theyel, 2000). Finally, secondary data was used to test each variable. Previous studies highlighted the importance of using secondary data when conducting social science research. Additionally, as secondary data is more useful, it aids researchers in generalizing results (Johnston, 2014; Williams & Shepherd, 2017b). This research applied secondary market data to assess 222 businesses that provide new, important information on CSR, SCME, company size, and EVA. Furthermore, the proposed model was supported by these facts, which increases the veracity of subsequent investigations using these variables.

4. Conclusions

Based on the test results, H1, H2a, H2b, and H3 were accepted. This study examined the effect of CSR on EVA and whether SCME for companies mediates this effect using the CSR theory. It involved a novel approach to test this model using the LQ45 index and a secondary data

strategy in Indonesia. Furthermore, this research adds to the body of knowledge on CSR and SCME and sheds light on the relationship between CSR and company performance.

Managerial implications, Managers and companies must consistently produce EVA for shareholders (Suripto, 2020). Due to the rise in popularity of EVA, some individuals utilize this information to make financial decisions. EVA also influences managers' ability to select investments that shape a company's future (Escalera-Chávez et al., 2015; Sharma & Kumar, 2010). Therefore, the index's contributions to managers and practitioners were examined because of its significant role in the decision-making process.

This research showed that CSR strategy has a considerable impact on EVA in companies. Therefore, it's important to inform interested individuals that this approach was created to add value. The results also highlighted the mediative effect of SCME and CSR on EVA. Focusing on SCME is a viable option for companies to adopt CSR policies with better results. Changes to environmentally friendly goods and services involve SCME strategies (Lindgreen & Swaen, 2010; Theyel, 2000). For example, companies can produce fewer products with packaging, create more energy-efficient products, and lessen supply chain pollution (Borsato et al., 2018; Costantini et al., 2017; Li et al., 2018).

This study also showed that Company Size impacts EVA outcomes. Small and medium businesses typically have trouble putting CSR policies into practice and undertaking SCME. However, a different viewpoint can be adopted when implementing a CSR strategy by assisting all companies in lowering the related expenses (Audia & Greve, 2006; Morsing & Perrini, 2009; Sánchez-torné & Alvarez, 2020).

Implications for policymakers, this research also highlighted a few policymakers' takeaways. First, industries with the lowest adoption rates for CSR among businesses were listed. There are fewer businesses measuring or putting CSR initiatives into practice in the educational and real estate sectors. These results highlight which industries require greater encouragement from policymakers to create strategies of this nature and raise their involvement in CSR. On the other hand, this may signify that CSR is less significant for certain industries. This research examined the ways to adopt and institutionalize CSR strategies in educational businesses. Other research demonstrated that CSR implementation in real estate enterprises alters the strategic orientation of businesses (Rahman et al., 2019; Schiessl & Korelo, 2021). Therefore, policymakers can use this understanding to boost support for these groups.

Furthermore, Indonesian CSR implementation has increased EVA and SCME in the LQ45 index. These draw attention to a crucial factor that deters management at other sizable corporations from implementing CSR. Actions may be suggested by policymakers to encourage company managers to implement effective CSR strategies. For example, focusing on leadership and employees is a significant goal to pursue. Policymakers may also establish quotas for other genders in senior company roles (Deng et al., 2020; Gao et al., 2021; Tapver et al., 2020). Small companies with better CSR scores may benefit from tax revenues or other financial incentives to implement CSR, which is important for government policymakers to consider.

Limitations and future research, Only the LQ45 index listed on the Indonesia Stock Exchange for the years 2016 to 2021 constituted the sample of this research. The companies that fit the criteria were lowered as a significant number did not declare their CSR activities in annual reports because they do not engage in CSR activities. Furthermore, CSR was the independent variable, while SCME, company size, which is determined by total assets, and the dependent, EVA, as measured by NOPAT and WACC, constitute the mediating variables used in this research. This research also outlined some restrictions and future opportunities. For example, various nations which have different views on business expenses, consumer costs, and the adoption

of sustainable products were not examined. Additionally, the ways in which industrialized and developing nations use technology and their levels of productivity differ (Dedrick et al., 2013; Fernandez-Gago, R., Cabeza-García, L. and Godos-Díez, 2020; Hult et al., 2018). Future research may examine the variations in business performance between developed and emerging nations. For example, prior research demonstrated that affluent countries have more policies encouraging businesses to implement CSR strategies than poor countries. Therefore, this influences the perceived use of CSR and its effect on business performance.

Future studies can use a wider range of data for additional research covering a longer time frame or covering a larger number of samples. The addition or replacement of variables or indicators should also be considered to explore their role in the adoption of CSR by companies. These companies offer data on CSR procedures at the national level. Such information reveals intriguing trends on how developed and developing nations affect CSR adoption and company performance. Additionally, SCME attitudes and sustainable behavior are influenced by the corporate sector (Liu et al., 2013). This research presented industries where fewer businesses apply CSR strategies to support this viewpoint. Therefore, future research may observe the reasons more businesses are implementing CSR tactics in some industries than others and ascertain a balance between them. For instance, the health industry is given many incentives to implement CSR measures and lessen its environmental impact. The question is whether the incentives given to specific industries are effective at generating value or if it discourages other sectors from implementing CSR methods. These issues can be investigated to elucidate the effects of governmental traits and incentives.

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