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The impact of corporate social responsibility disclosure and investment opportunity set on firm performance: evidence from the manufacturing sector

Ni Kadek Puspita Yadnya Dewi *, Made Gede Wirakusuma, Eka Ardhani Sisdyani and I Nyoman Wijana Asmara Putra

Department of Master of Accounting, Faculty of Economics and Business, Universitas Udayana, Bali, Indonesia.

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Abstract

This study investigates the combined influence of Corporate Social Responsibility Disclosure (CSRD) and Investment Opportunity Set (IOS) on Firm Performance, measured using Market Value Added (MVA), in manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023. Utilizing Legitimacy and Signal Theories as frameworks, the research emphasizes the critical role of CSRD and IOS in enhancing corporate transparency, fostering stakeholder trust, and signaling growth potential to investors. The analysis, based on a sample of 144 companies with 346 observations, employs STATA software for data processing and multiple regression techniques to demonstrate that both CSRD and IOS have a significant positive impact on Firm Performance. CSRD reflects corporate accountability towards economic, social, and environmental dimensions, while IOS signals strategic foresight in leveraging future growth opportunities. The findings align with prior research, highlighting the importance of these variables in improving financial outcomes and market valuation. Additionally, the study underscores the practical implications for managers and investors, advocating for optimized CSRD practices and strategic investment planning to enhance corporate value and stakeholder confidence. This research contributes to the literature by addressing a gap in the combined effects of CSRD and IOS on Firm Performance within the Indonesian manufacturing sector. The study also provides a foundation for future research to explore additional sectors, extended observation periods, and broader variables influencing corporate success

Keywords: Corporate Social Responsibility Disclosure; Investment Opportunity Set; Firm Performance; Market Value Added; Legitimacy Theory; Signal Theory

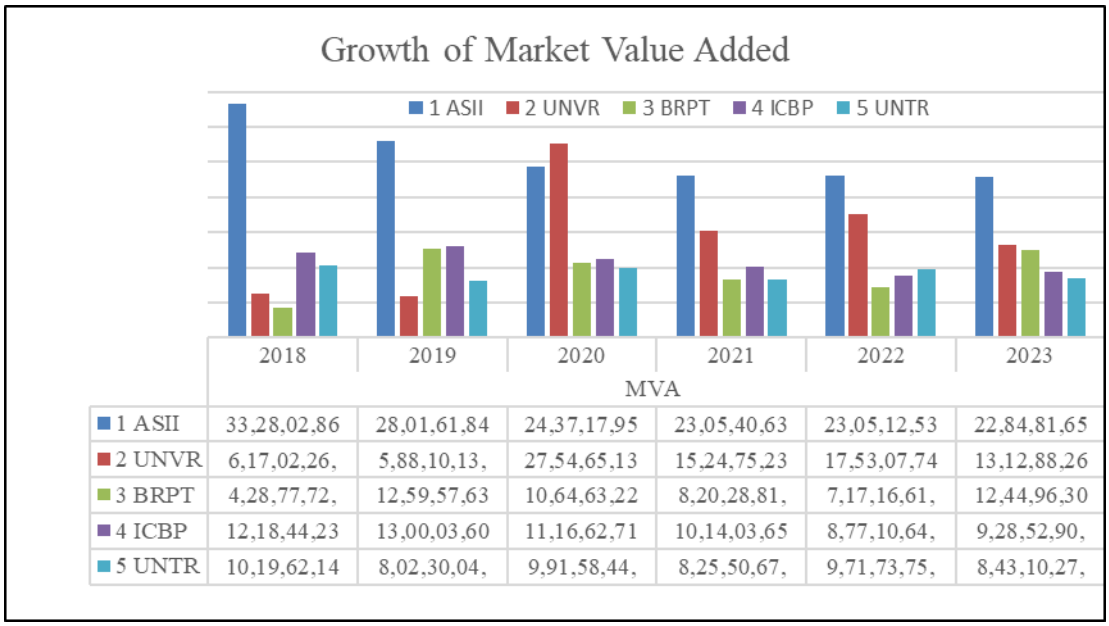
1. Introduction

The performance of a company is a fundamental indicator of its success, reflecting its efficiency in resource management and its ability to create value for stakeholders. Corporate performance directly influences investor confidence, market stability, and economic development. While traditional financial metrics, such as revenue, profit, and cash flow, have been widely used to assess Firm Performance, they often fail to capture the broader dimensions of value creation for shareholders (Lindawati et al., 2021). Investors, when making investment decisions, require various considerations, calculations, and accurate analysis of information to assess the prospects of the company selling its shares (Vahini & Putra, 2015). One of the phenomena highlighted in this study is the fluctuation experienced by manufacturing sector companies at the end of 2023, despite being among the 50 high-market capitalization companies. This is illustrated in Figure 1, which presents the Market Value Added (MVA) growth of manufacturing companies from 2018 to 2023.

Based on Figure 1, the MVA growth of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023 indirectly reflects investors' changing reactions each year as more investors enter the market. Companies

* Corresponding author: Ni Kadek Puspita Yadnya Dewi

with high market capitalization are typically considered attractive for investment due to their perceived stability and security. However, the data reveals that five major companies: ASII, UNVR, BRPT, ICBP, and UNTR, have experienced significant fluctuations in MVA, indicating unstable corporate performance over the 2018–2023 period.



	2018	2019	2020	2021	2022	2023
	MVA					
1 ASII	33,28,02,86	28,01,61,84	24,37,17,95	23,05,40,63	23,05,12,53	22,84,81,65
2 UNVR	6,17,02,26,	5,88,10,13,	27,54,65,13	15,24,75,23	17,53,07,74	13,12,88,26
3 BRPT	4,28,77,72,	12,59,57,63	10,64,63,22	8,20,28,81,	7,17,16,61,	12,44,96,30
4 ICBP	12,18,44,23	13,00,03,60	11,16,62,71	10,14,03,65	8,77,10,64,	9,28,52,90,
5 UNTR	10,19,62,14	8,02,30,04,	9,91,58,44,	8,25,50,67,	9,71,73,75,	8,43,10,27,

Source: Indonesia Stock Exchange, Processed Data, 2025

Figure 1 Market Value Added (MVA) Growth of Manufacturing Sector Companies (2018-2023) in Million Rupiah

This fluctuation reflects market-driven changes in company value, influenced by a combination of operational performance, investor confidence, external conditions, and capital management. Therefore, MVA serves as a useful tool for evaluating how effectively a company's management creates value for its shareholders.

Corporate Social Responsibility Disclosure (CSRD) and Investment Opportunity Set (IOS) have been identified as critical factors influencing Firm Performance. CSRD, rooted in the triple bottom line framework, addresses a firm's economic, social, and environmental responsibilities (Abdurachman & Gustyana, 2019). Prior research has demonstrated that effective CSRD enhances transparency, strengthens investor trust, and mitigates information asymmetry (Karaman et al., 2021). Therefore, it is important for companies not only to disclose the mandatory financial report information but also to voluntarily disclose social information (Bayu et al., 2015). Similarly, IOS, as conceptualized by (Myers, 1977), reflects a firm's ability to identify and capitalize on future investment opportunities with positive net present value. Studies have shown that IOS contributes to increased firm value and investor confidence by signaling growth potential (Sabina Rini & Mimba, 2019);(Suartawan & Yasa, 2017).

The importance of CSRD and IOS is further reinforced by theoretical frameworks such as legitimacy theory and signaling theory. Legitimacy theory posits that organizations must align their operations with societal expectations to maintain credibility and sustain their operations (Dowling & Pfeffer, 1975). Signaling theory emphasizes the role of information dissemination in reducing information asymmetry and enhancing stakeholder trust (Spence, 1973). Through effective CSRD, companies signal accountability and commitment to social and environmental concerns, while IOS signals strategic foresight and growth potential.

Despite extensive research on CSRD and IOS, existing studies primarily focus on their individual impacts on Firm Performance. For example,(Xie et al., 2019) and (Zhou et al., 2022) have highlighted the positive effects of CSRD on corporate financial performance, while (Agustinus, 2020) has demonstrated the reciprocal relationship between CSR activities and MVA. Similarly, studies by (Nanda et al., 2018) and (Sabina Rini & Mimba, 2019) emphasize the role of IOS in enhancing firm value. However, these studies often overlook the combined effects of CSRD and IOS on Firm Performance. Additionally, the focus has largely been on global contexts, with limited research addressing these dynamics within the Indonesian manufacturing sector, a sector characterized by high environmental and social impacts.

This study aims to fill the research gap by investigating the combined influence of Corporate Social Responsibility Disclosure (CSRD) and Investment Opportunity Set (IOS) on the performance of manufacturing firms in Indonesia,

measured through Market Value Added (MVA). It hypothesizes that both CSRD and IOS positively impact Firm Performance. The manufacturing sector was chosen due to its significant interaction with communities and its potential environmental impact, making it a critical area for examining the integration of sustainability practices and strategic investment opportunities. By addressing this gap, the study provides both theoretical and practical implications for governments, companies, and investors, emphasizing the importance of CSRD and IOS in enhancing Firm Performance. The research focuses specifically on manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023.

2. Literature Review and Hypothesis Development

2.1. Legitimacy Theory

The Legitimacy Theory, as conceptualized by (Dowling & Pfeffer, 1975), suggests that organizations strive to align their activities with societal values and accepted behavioral norms within the broader social system to maintain their legitimacy. When discrepancies arise between an organization's activities and societal expectations, known as the legitimacy gap, the organization's legitimacy may be threatened. Such gaps can result in pressures from various stakeholders, including legislators, communities, and investors (O'Donovan, 2002). Legitimacy serves as a strategic factor, enabling companies to construct corporate strategies that position them effectively within an increasingly progressive societal environment. To address legitimacy gaps, firms can adopt strategies that enhance transparency and accountability, such as increased disclosure of their environmental, social, and governance (ESG) activities.

Corporate Social Responsibility Disclosure (CSRD) plays a crucial role in maintaining or improving legitimacy by demonstrating a company's commitment to societal and environmental responsibilities. By transparently communicating CSR initiatives, companies can address societal concerns, reduce information asymmetry, and foster long-term stability. Effective CSRD enhances stakeholder trust, improves corporate reputation, and mitigates risks (Mousa & Hassan, 2015). These disclosures ensure alignment between corporate activities and societal expectations, thereby strengthening legitimacy. Similarly, the Investment Opportunity Set (IOS) reflects a company's strategic foresight and its ability to identify and leverage future opportunities for sustainable growth. By effectively implementing IOS, companies can demonstrate their capacity to create value, aligning with stakeholder expectations of prudent and forward-thinking management. This alignment not only reduces the legitimacy gap but also enhances investor confidence and corporate value.

2.2. Signalling Theory

Signaling theory, introduced by (Spence, 1973) in Job Market Signaling, explains the interaction between management as the signaler and investors as the recipients. The theory highlights how management provides relevant financial and non-financial information to reduce information asymmetry between the company and external stakeholders. Information asymmetry arises because companies have greater knowledge about their operations and future prospects than external parties, potentially leading to undervaluation by the market.

To address this, signaling theory emphasizes the importance of transparency in providing external stakeholders with clear information about the company's future plans and investment opportunities. By signaling credible plans and reducing moral hazard: unethical or deviant managerial behavior, companies can foster trust and confidence among investors. Well-planned investment opportunities signal growth prospects and reduce risks, ultimately enhancing the company's market value and reputation. This approach ensures better alignment between management's actions and investor expectations, strengthening external trust and corporate value.

2.3. Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) is an independent international organization that develops sustainability reporting standards to help businesses and organizations communicate the impacts of their operations. GRI standards are widely recognized and used globally for measuring organizational performance in alignment with laws, norms, codes, and performance standards. Sustainability reports based on GRI standards demonstrate an organization's commitment to sustainable development and allow for performance comparison over time.

The GRI framework ensures a common understanding among organizations and stakeholders, enabling global communication and comparability of economic, environmental, and social impacts. The standards are modular, comprising three series: GRI Universal Standards (applicable to all organizations), GRI Sector Standards (specific to certain sectors), and GRI Topic Standards (addressing specific topics). This framework aids in identifying material topics

and supports sustainable development goals. In this study, 31 Topic Standards and 83 disclosure indicators are utilized for analysis.

2.4. Firm Performance

Firm Performance reflects the effectiveness and efficiency of an organization in achieving its goals. Effectiveness refers to management's ability to set future objectives, while efficiency refers to its ability to achieve them. Performance can be evaluated internally by management through financial and annual reports and externally by investors and stakeholders. External evaluations focus on returns on investment, influencing management to enhance efficiency and increase firm value in the eyes of investors and capital markets.

This study focuses on external Firm Performance, specifically its impact on current and future value and growth. Market Value Added (MVA) is used as the performance measure, as it captures intangible relationships between the firm and stakeholders that traditional accounting measures cannot (Hilman & Keim, 2001; (Agustinus, 2020). MVA combines market value with financial data, enabling investors to assess management's efficiency in utilizing capital to maximize shareholder value (Mohd Razali et al., 2018). As the cumulative result of investments made by the firm, MVA serves as a critical indicator of its performance and growth potential.

2.5. Corporate Social Responsibility Disclosure (CSRD)

The Corporate Social Responsibility Disclosure (CSRD) refers to the disclosure of an organization or entity's responsibility for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior. In Indonesia, CSRD is supported by legal frameworks such as Law No. 40 of 2007 on Limited Liability Companies, which mandates businesses related to natural resources to implement social and environmental responsibilities, and Law No. 25 of 2007 on Investment, which requires respect for local cultural traditions and corporate social responsibilities.

CSRD enhances Firm Performance by fostering legitimacy, improving public perception, and building investor trust (Du & Yu, 2021); (Erlangga et al., 2021). It reduces information asymmetry and aligns profitability with societal well-being, attracting investors and boosting market value. (Agustinus, 2020) showed a reciprocal relationship between CSRD and Market Value Added (MVA), while(Dewi & Wardani, 2022) highlighted CSR's role in stakeholder welfare and economic development. (Feng et al., 2018) found a positive link between CSR disclosure and market value in U.S. firms.

Guided by legitimacy and stakeholder theories, which stress reducing societal expectation gaps and creating stakeholder value (Fitriasari & Ratna Sari, 2019). CSRD is shown to enhance both financial performance and corporate reputation. Based on this, the hypothesis is:

H1: Corporate Social Responsibility Disclosure (CSRD) has a positive effect on Firm Performance.

2.6. Investment Opportunity Set (IOS)

The Investment Opportunity Set (IOS), introduced by(Myers, 1977), represents the combination of a company's current assets and future investment options, reflecting its growth potential. IOS is essential for achieving firm goals, as it provides a framework for identifying investment opportunities that generate positive Net Present Value (NPV) and enhance firm value (Kallapur & Trombley, 2001)(Hutchinson, 2002); (Smith & Watts, 1992). By serving as a projection of future company performance, IOS acts as a signal of growth prospects to investors and stakeholders, aligning with signaling theory, which emphasizes the role of disclosed information in influencing market perceptions (Spence, 1973). Investment Opportunity Set (IOS) refers to the investment opportunities available to a company and indicates the extent to which the company has prospects for growth and development in the future (Raditya & Sisdyani, 2018).

Empirical studies demonstrate a significant positive impact of IOS on Firm Performance. Research by (Nanda et al., 2018), (Hayati et al., 2022), and (Smith & Watts, 1992) confirms that IOS enhances corporate value and market performance. Investment-based proxies like the Ratio of Capital Addition to Asset Book Value (CAPBVA) highlight firms' productive investments, signaling long-term growth potential to investors (Laksono & Firmansyah, 2020)(Pamungkas, 2024). Higher CAPBVA ratios attract investors, boost market confidence, and improve Market Value Added (MVA). By reducing information asymmetry and demonstrating growth prospects, IOS strengthens investor trust and supports Firm Performance. Based on these findings, the hypothesis is:

H2: Investment Opportunity Set (IOS) has a positive effect on Firm Performance.

2.7. Firm Size and Leverage

Firm size and leverage are important variables influencing corporate performance and stakeholder relationships. Firm size, measured by the natural logarithm of total assets, reflects the scale and scope of a company's operations. Larger firms typically possess greater resources, broader activities, and a more significant impact on stakeholders, making corporate social responsibility disclosures (CSRD) essential (Suprasto & Haryanti, 2019). These firms are better positioned to manage risks, finance operations, and meet obligations, thereby increasing investor confidence, boosting share demand, and raising stock prices, which ultimately enhances firm value (Halim & Christiawan, 2019).

Leverage, on the other hand, represents a company's reliance on fixed-cost financing, such as debt or preferred equity, to maximize shareholder wealth (Habrizons, 2017). High leverage indicates greater dependence on external borrowing, which increases financial risk, while low leverage reflects reliance on internal funding. Companies with higher leverage tend to disclose more information due to increased agency costs, thereby ensuring transparency and trust among stakeholders (Purba & Candradewi, 2019). In this study, leverage is measured using the Debt to Equity Ratio (DER), which evaluates the proportion of debt to equity in the company's capital structure (Ningtyas & Aryani, 2023). These variables: firm size and leverage, serve as control variables in analyzing Market Value Added (MVA), as illustrated in the research concept shown in Figure 2.

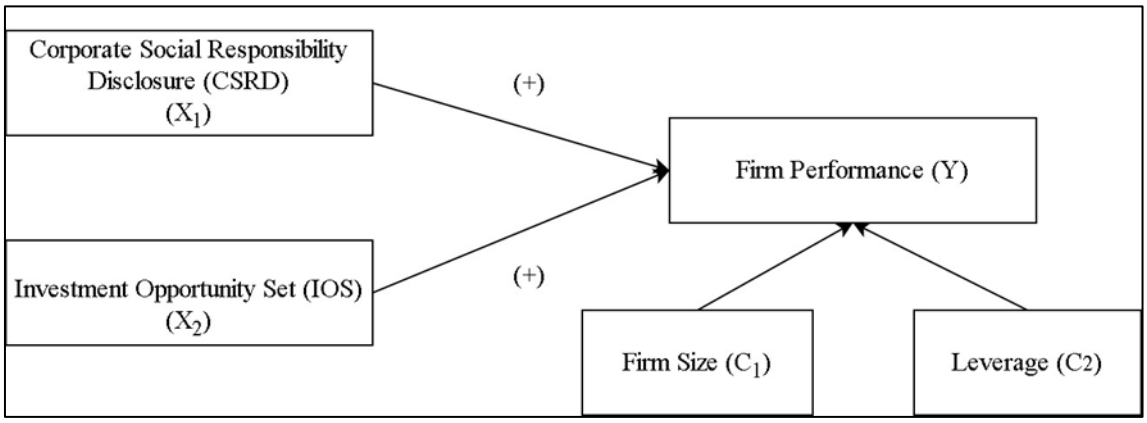


Figure 2 Research Conceptual Model

3. Results and Discussion

3.1. Method

This study investigates the relationship between Corporate Social Responsibility Disclosure (CSRD), Investment Opportunity Set (IOS), and Firm Performance, with firm size and leverage as control variables. Firm Performance, the dependent variable, is measured using Market Value Added (MVA), while CSRD and IOS are the independent variables. CSRD is divided into three categories: economic, environmental, and social, reflecting the organization's impacts on economic systems, voluntary environmental disclosures, and social systems. IOS, representing growth opportunities, is proxied using the Ratio of Capital Addition to Asset Book Value (CAPBVA), which measures the proportion of capital invested in fixed assets relative to total asset book value. This ratio indicates productive asset additions that contribute to company growth.

The sample comprises manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2018–2023, selected using purposive sampling based on criteria: (1) Manufacturing companies listed on the IDX during 2018-2023, (2) Manufacturing companies continuously listed on the IDX during the 2018-2023 period, and (3) Companies that reported a sustainability report during the 2018-2023 observation period. From a population of 694 manufacturing companies, 144 companies met the criteria, resulting in 346 observations. The analysis uses STATA software for data processing, valued for its syntax-based commands and detailed output for easier interpretation. Multiple Regression Analysis is employed to predict the relationship between the dependent variable (Firm Performance) and the independent variables. The sample selection results are presented in Table 1.

Table 1 Results of Purposive Sampling

No	Description	Number
1	Manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023	694
2	Manufacturing companies not continuously listed on the IDX during the research period (2018-2023)	(403)
3	Companies that did not publish a sustainability report during the 2018-2023 period	(147)
	The number of companies that met the sample selection criteria during the 2018-2023 research period	144

Source: Processed Data, 2025

Based on Table 1, the sample consists of 144 companies, but the observations are not continuous throughout the research period, leading to unbalanced data. The number of observations each year varies: 27 in 2018, 31 in 2019, 44 in 2020, 86 in 2021, 94 in 2022, and 64 in 2023. Thus, the total number of observations used in this study is 346 (Table 2).

Table 2 Details of Sample Observation Data per Year

Year	2018	2019	2020	2021	2022	2023	Total
Number of Observations	27	31	44	86	94	64	346

Source: Processed Data, 2025

3.2. Descriptive Statistics and Classical Assumption Tests

3.2.1. Descriptive Statistical Analysis Results

The results of the descriptive statistical analysis are presented in Table 3.

Table 3 Descriptive Statistical Analysis Results

	N	Mean	Std. Deviation	Minimum	Maximum
MVA	346	28.97615	2.531749	23.14273	37.1331
CSR	346	27.82847	2.630764	21.55322	35.1122
IOS	346	20.75467	2.604561	10.47651	29.0936
SIZE	346	3.338225	0.091251	3.081192	3.5184
DER	346	5.233566	2.458137	1.4376	15.1556

Source: Processed Data, 2025

The descriptive statistical analysis results indicate that the total number of observations in this study is 346, covering the period from 2018 to 2023. The Market Value Added (MVA), representing company performance, has an average value of 28.976, with a standard deviation of 2.531, indicating moderate fluctuations. The lowest MVA recorded was 23.1427 for ARKA in 2023, while the highest was 37.1331 for BRPT in 2019. The Corporate Social Responsibility Disclosure (CSRD) variable has an average value of 27.82847, with a standard deviation of 2.630764, reflecting a relatively stable disclosure trend among manufacturing companies. The lowest CSRD value was 21.55322 for SOFA in 2023, while the highest was 35.1122 for BRPT in 2019. Similarly, the Investment Opportunity Set (IOS) has an average value of 20.75467, with a standard deviation of 2.604561. The lowest IOS recorded was 10.47651 for UNVR in 2019, while the highest was 29.0936 for BRPT in 2021.

Additionally, company size, measured using the natural logarithm of total assets, has an average value of 3.338225, with a relatively low standard deviation of 0.091251, indicating that manufacturing companies have a relatively uniform size distribution. The smallest company size was 3.081192 for MLBI in 2018, while the largest was 3.5184 for ASII in 2023. Meanwhile, Leverage, representing the ratio of debt to equity, has an average value of 5.233566, indicating that manufacturing companies, on average, have 5.23 times more debt than equity, reflecting a high financial risk. The standard deviation is 2.458137, suggesting a considerable variation in leverage among companies. The lowest leverage value was 1.4376 for EPMT in 2021, while the highest was 15.1556 for INRU in 2022. These findings highlight significant differences in financial structure and performance among manufacturing firms during the study period.

3.2.2. Normality Test

The normality test evaluates whether the residuals in the regression model follow a normal distribution. A good regression model requires normal or near-normal distribution (Ghozali, 2018). Using STATA, the Skewnes and Kurtosis test is applied, where data passes the test if the probability is greater than 0.050. The results are presented in Table 3. Since the probability value (0.923) is greater than 0.05, the data passes the normality test, indicating that the residuals in the regression model follow a normal distribution.

Table 4 Normality Test Results

Obs	Probability	Description
346	0.923	Fails to reject normality assumption (at α = 0.05)

Source: Processed Data, 2025

The normality results can also be observed from the normal P-Plot shown in Figure 3, where the points are distributed along the main diagonal line, indicating that the data is normally distributed.

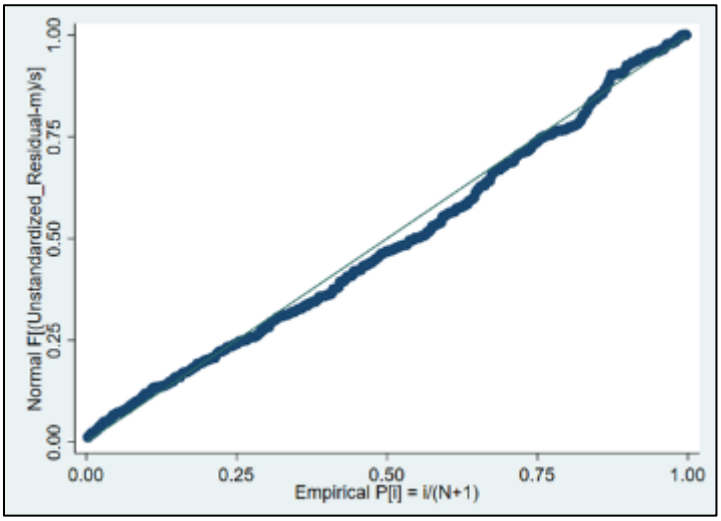


Figure 3 P-Plot Normality Test Results

3.2.3. Multicollinearity Test

The multicollinearity test results in Table 5 show that all independent variables have VIF values below 10 and correlation values above 0.1. This indicates no multicollinearity in the regression model, making it suitable for analysis. Based on the Tolerance and VIF values, there is no significant correlation among the variables.

Table 5 Multicollinearity Test Results

Variabel	VIF	Correlation	Description
CSR	1.09	0.919770	No Multicollinearity Detected
IOS	1.19	0.843013	No Multicollinearity Detected

SIZE	1.05	0.952629	No Multicollinearity Detected
DER	1.16	0.859960	No Multicollinearity Detected

Source: Processed Data, 2025

3.2.4. Heteroscedasticity Test

The heteroscedasticity test is conducted to examine whether there is inequality in the variance of residuals from one observation to another in the regression model. This study employs the Breusch-Pagan test for heteroscedasticity.

Table 6 Heteroscedasticity Test Results

Chi2(1)	Probability	Description
1.65	0.0975	Homoscedasticity assumed (no heteroscedasticity detected)

Source: Processed Data, 2025

The heteroscedasticity test results in Table 5 show a Chi2(1) value of 1.65 with a probability of 0.0975. As the probability exceeds 0.05, the model passes the heteroscedasticity test, indicating that the residuals have a constant variance and the regression model is free from heteroscedasticity issues.

3.2.5. Autocorrelation Test

The autocorrelation test in this study was conducted using the Run Test. Table 7 shows that the Asymp. Sig (2-tailed) value in the Run Test is 0.939, which is greater than 0.05. Therefore, it can be concluded that there is no autocorrelation among the residual values.

Table 7 The Run Test Results

Runs Test	
	Unstandardized Residual
Test Value[a]	1.98306[b]
Cases < Test Value	345
Cases >= Test Value	1
Total Cases	346
Number of Runs	3
Z	0.076
Asymp. Sig. (2-tailed)	0.939

Source: Processed Data, 2025

3.3. Hypothesis Testing (t-test) Using Multiple Linear Regression

3.3.1. Coefficient of Determination Test (R^2)

The results of the coefficient of determination test in this study can be seen in Table 8 below:

Table 8 Results of the Coefficient of Determination Test

R-squared	0.9539
Adjusted R-squared	0.9534

Source: Processed Data, 2025

The results in Table 8 show an adjusted R^2 value of 0.9534, indicating that 95.34% of the variation in financial performance among manufacturing companies listed on the Indonesia Stock Exchange (2018–2023) is significantly influenced by the variables Corporate Social Responsibility Disclosure (CSR) (X1), Investment Opportunity Set (IOS)

(X2), Firm Size (C1), and Leverage (C2). The remaining 4.66% is attributed to other factors not included in the research model. This confirms that the model is highly reliable and exhibits strong explanatory power. Overall, the regression model provides an excellent fit, with nearly all variability in the dependent variable explained by the independent variables.

3.3.2. Simultaneous Test (F-Test)

The F-statistic test in this study was conducted by examining the significance value in the ANOVA table. As presented in Table 9, the F-test results show an F-statistic of 1765.10 with a significance value of 0.000, which is less than α = 0.05. This indicates that the model used in this study is both valid and reliable. The findings demonstrate that the independent variables:Corporate Social Responsibility Disclosure (CSRD) (X1), Investment Opportunity Set (IOS) (X2), Firm Size (C1), and Leverage (C2), together have a significant positive effect on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange from 2018–2023.

Table 9 Simultaneous Test Results (F-Test)

F (4. 341)	1765.10
Prob > F	0.000

Source: Processed Data, 2025

3.3.3. Multiple Linear Regression Analysis

The results of the panel data regression analysis processed using STATA software can be seen in Table 10 below.

Table 10 Summary of Regression Analysis Results

MVA	Coefficient	Std. Eror	t	Probability
X1_CSR	0.9288609	0.0116638	79.64	0.000
X2_IOS	0.0533670	0.0123058	4.34	0.000
C1_SIZE	-0.3714927	0.3304152	-1,12	0.127
C2_DER	0.0122893	0.0129098	0.95	0.410
C	3.195563	1.1128190	2.87	0.004

Source: Processed Data, 2025

From the results of the multiple linear regression analysis in Table 10, the following equation can be formed:

$$\mathbf{Y = 3{,}195563 + 0{,}9283609\ X_1 + 0{,}0533670\ X_2 - 0{,}4836991\ C1 + 0{,}0122893\ C2 + \mathit{e}}$$

The results of the multiple linear regression analysis in Table 10 show that both Corporate Social Responsibility Disclosure (CSRD) and Investment Opportunity Set (IOS) have a positive and significant impact on the financial performance of manufacturing companies. The regression coefficient for CSRD (X1) is 0.9288609 with a significance level of 0.000, which is less than α = 0.05, confirming that CSRD positively affects Firm Performance. Similarly, the regression coefficient for IOS (X2) is 0.0533670 with a significance level of 0.000, also less than α = 0.05, indicating that IOS positively influence Firm Performance. Therefore, both hypotheses stating that CSR and IOS positively affect Firm Performance are accepted.

4. Discussion

4.1. The Influence of Corporate Social Responsibility Disclosure (CSRD) on Firm Performance

The study emphasizes the positive influence of Corporate Social Responsibility Disclosure (CSRD) on Firm Performance, proxied by Market Value Added (MVA). CSRD enhances Firm Performance by increasing transparency and trust, strengthening both financial and non-financial aspects. This aligns with legitimacy theory, which suggests CSR disclosure helps companies gain and maintain social legitimacy from stakeholders.

The findings are consistent with prior research, including (Agustinus, 2020), which identified a positive relationship between CSRD and MVA, and (Dewi & Wardani, 2022), which emphasized CSR as a commitment to economic development and stakeholder well-being.(Feng et al., 2018) also found a significant link between CSR disclosure and market value. Supporting (Arrow, 1996) view, the study reinforces that information disclosure serves as a key signal for decision-making and operational sustainability. In summary, CSRD strengthens Firm Performance by fostering legitimacy, transparency, and trust, in line with existing literature.

4.2. The Influence of the Investment Opportunity Set (IOS) on Firm Performance

The study demonstrates that the Investment Opportunity Set (IOS) has a positive influence on Firm Performance, as proxied by Market Value Added (MVA). IOS represents future investment opportunities that can drive asset growth or projects with a positive net present value (Hidayah, 2017). According to Signal Theory, IOS serves as a signal to investors and markets regarding a company's growth potential and managerial capability to manage risks and investment opportunities. Companies with a high IOS communicate better growth prospects, fostering increased trust among investors and other stakeholders. Smart investment decisions and efficient capital allocation based on available opportunities enhance Firm Performance, reflected in improved profitability, stability, and company value.

These findings align with prior research, as shown by (Nanda et al., 2018) and (Sabina Rini & Mimba, 2019) which identified IOS as a driver of increased corporate value. Similarly, (Hayati et al., 2022) found that IOS significantly impacts Firm Performance. In conclusion, IOS plays a crucial role in shaping market perceptions of a company's performance and potential through signaling mechanisms, leading to better Firm Performance, as indicated by MVA.

5. Conclusion

This study confirms the positive and significant influence of Corporate Social Responsibility Disclosure (CSRD) and Investment Opportunity Set (IOS) on Firm Performance, as proxied by Market Value Added (MVA), for manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2018–2023. These findings support Legitimacy Theory and Signal Theory, highlighting that CSRD and IOS serve as key signals to investors regarding a company's commitment to social responsibility and its future growth potential. This builds trust among stakeholders and enhances Firm Performance through improved transparency, economic responsibility, and long-term planning.

From a theoretical perspective, the study validates the role of CSRD and IOS in shaping investor perceptions and decision-making, demonstrating that firms integrating these elements not only address stakeholder expectations but also achieve better financial and non-financial outcomes. Practically, the findings emphasize the importance for public companies to optimize CSRD and IOS to strengthen investor confidence and market performance. Managers are encouraged to deliver high-value information to investors to support informed investment decisions.

The research also provides guidance for investors to carefully assess factors such as CSRD, IOS, firm size, and leverage before committing capital, ensuring alignment with long-term profitability and growth prospects. While the study focuses on manufacturing companies, future research could expand the scope to include other sectors, extend the observation period, and incorporate additional economic variables, such as ownership structure and dividend policies, to further enhance insights into corporate performance determinants. In conclusion, CSRD and IOS are essential for fostering sustainable corporate success, benefiting both the firms and their stakeholders.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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