

How Halo Effect Phenomena Works on Financial Performance, Corporate Social Responsibility Disclosure, and Stakeholder Pressure

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Abstract
The phenomenon that companies do not fulfill the concept of sustainability will result in poor financial performance. So, to overcome this, the company discloses Corporate Social Responsibility (CSR). This study aims to examine the influence of customer and employee stakeholder pressure in strengthening the influence of CSR disclosure proxied by third-party reviews of CSR reports on financial performance proxied by return on assets. The population of this study are all mining companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The sampling technique used was purposive sampling technique and obtained a sample of 75 observations. Data is obtained from sustainability reports, annual reports and company financial reports and analyzed using SmartPLS3 software. The data analysis technique in this study uses moderated regression analysis estimated with SEM-PLS. The results of this study provide evidence that customer stakeholders (sales) have a positive and significant effect or can strengthen the influence of third-party reviews of CSR reports on financial performance in a positive direction so that it is free from the halo effect. Employee stakeholder pressure negatively and significantly weakens the influence of third-party reviews of CSR reports on financial performance in a negative direction, resulting in a halo effect
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INTRODUCTION

The era of society 5.0 requires companies to regenerate the business environment and reorient the concept of financial performance towards the concept of sustainability. The issue of corporate sustainability, especially in recent years, has received increased interest among academics, practitioners, and regulators because sustainable development is very important for business organizations (Birindelli et al., 2019). This concept was born when the stakeholders pay broad attention to the company's operating environment. This concept also creates the phenomenon that companies that do not fulfill the concept of sustainability will produce poor financial performance (Mawardi, 2019). So, to overcome this, the company discloses Corporate Social Responsibility (CSR).

Corporate social responsibility (CSR) is a strategy to achieve corporate sustainability. CSR is a form of company commitment to carry out social and environmental initiatives (Akisik & Gal, 2017). The issue of CSR is starting to become a concern of the business world along with the disclosure of company actions that harm and even threaten the lives of the community at large and environmental damage is getting higher due to uncontrolled company activities towards various resources to increase company profits (Sinurat & Tio, 2019). Especially companies that are vulnerable to environmental hazards, one of which is a mining company.

Mining companies are chosen because their business activities are in direct contact with the utilization of natural resources and have a direct impact on the environment. The development of the mining industry is also very rapid and will be even greater in the future. This is due to Indonesia's geological potential which is very rich in minerals. So it is not surprising that mining companies are one of the foreign exchange earners for Indonesia (Simaremare & Lumban Gaol, 2019). However, on the other hand, there are many cases that occur in mining companies, even these cases fall into the category of serious threats to the environment and human life.

Stakeholder theory states that the relationship between CSR disclosure and financial performance is inseparable from the support of its stakeholders (Akisik & Gal, 2017). Stakeholders state that a company that implements operational efficiency will give a positive and broad signal. There are two stakeholder groups, namely employees and customers who have a direct influence on the company's CSR which will later affect the company's financial performance (Akisik & Gal, 2017). Customers are willing to provide support for the products and operations of companies that disclose CSR compared to companies that do not disclose (Akisik & Gal, 2017). This support is carried out by increasing interest in buying the company's products (Green & Peloza, 2011). Wan et al (2016) stated that companies that implement CSR experience increased financial performance through increased consumer perceptions and loyalty to products and services. Research by (Mawardi, 2019) also states that the role of customer stakeholders is able to strengthen the CSR relationship with financial performance. Employees are stakeholders who have an important role in the company because they are needed in terms of knowledge, skills and abilities to win competitive advantage which leads to organizational success (Chandra et al., 2021). Employee stakeholders prefer companies that are aware of CSR because the company will create a good and stable working climate. Employees will be more satisfied and willing to be given a small wage if the company discloses CSR information (Mawardi, 2019). Employees see that if the company discloses CSR, it means that the company cares about various activities to improve the quality of life of employees and their families through various social activities (Chandra et al., 2021). Conversely, employees will be concerned if the company does not carry out CSR and chooses to improve its performance for the sake of shareholder wealth and has implications for decreasing employee performance (Mawardi, 2019).

From a corporate communication perspective, a credible CSR report will contribute more to creating social commitment, a positive image or report halo effect (Chaudhri, 2016). GRI (Global reporting initiative) suggests a review of CSR reports, the review aims to increase the credibility of the company's CSR reports (Akisik & Gal, 2014). Third party reviews of CSR reports have an important impact on financial performance. This is because the information contained in CSR reports is seen as credible and relevant for stakeholder decision making (Akisik & Gal, 2014).

CSR disclosure will also have an effect, namely the halo effect (Madden et al., 2012; Walker, 2016). The halo effect is the effect caused by a CSR report which is only symbolic. This halo effect will be felt by users of CSR reports, such as employee and customer stakeholders, who assess CSR reports too early without any proof of the relevance of information to activities. The CSR report should contain substantive elements that show the company's commitment to social and environment. One way to overcome this halo effect is to increase the credibility of CSR reports. A credible report will indicate relevant information between CSR activities and information that is substantively in line with social and environmental desires. One way to increase the credibility of CSR reports is to use third party reviews (Mawardi, 2019).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Legitimacy theory states that when a company's financial performance is in a bad condition, the company must find ways to improve it by obtaining legitimacy from stakeholders. This legitimacy is obtained through credible CSR activities and disclosures. The results of this study support research from Walker et al., (2016); Akisik & Gal, (2017); Mawardi, (2019) which states that communication on CSR will lead to good relations between companies and stakeholders by taking strategic steps both internally and externally. CSR activities and disclosures will not only contribute to improving financial performance but also to help companies with poor financial performance grow and develop faster (Akisik & Gal, 2017).

The company's ability to create and maintain financial performance depends on its competitive effectiveness which is determined by the company's relationship with stakeholders including customers (Bagus & Sedana, 2021). To achieve and maintain excellence, companies need mechanisms to gain support and legitimacy from all stakeholders. Companies must maintain good relations with stakeholders so that all business operations run smoothly. Legitimacy theory states that the way a company fulfills its goals is to gain legitimacy from its stakeholders, including customer stakeholders. The mechanism for gaining legitimacy is by carrying out and disclosing its social responsibility activities in the form of credible reports. These results support research from Mawardi, (2019) CSR has succeeded in dominating a strong relationship with the company's operating performance, namely ROA. Companies in disclosing their CSR reports are also important to pay attention to the company's financial performance.

Credible CSR information sends positive signals and reduces stakeholder skepticism to companies (Du & Bhattacharya, 2010). The factor that influences the success of CSR communication is gaining the trust of competent parties (Maignan et al., 2005). One mechanism for gaining credible information on CSR is to use third-party reviews. This review aims to increase the recognition, trust and credibility of the report in the eyes of stakeholders (Mawardi, 2019). Research by Akisik & Gal, (2014) states that there is a relevant value for third party reviews in influencing the company's financial performance. This is also supported by Walker et al., (2016) which states that CSR activities and disclosures have a dominant effect in influencing financial performance.

Stakeholder theory states that companies do not only seek organizational benefits, but must meet the needs of company stakeholders, namely by carrying out CSR activities (S. J. Cho et al., 2019). Research conducted by Ying, (2022) found that stakeholder pressure influences corporate CSR adoption in China. Mawardi (2019) in his research stated that there are two stakeholder groups that play a very important role in supporting CSR activities which will ultimately affect financial performance, namely customer groups and employee groups.

Customers are one of the groups that can support the achievement of company goals in improving financial performance (Akisik & Gal, 2017). Research by Madden et al., (2012) states that customers will support companies that care about social activities (CSR). The form of this support is in the form of purchase intention, loyalty, promotion to purchase at the highest price thereby triggering an increase in sales (Akisik & Gal, 2017). The increase in product sales will affect profit gain and increase in company performance. Customers feel that companies have altruistic motivation to design and implement CSR initiatives, so that corporate CSR is seen as more credible and customers perceive a more positive CSR image. Conversely, companies lose credibility when customers anticipate the company's intrinsic motivation to develop CSR initiatives (Ahmed & Thabassum, 2020). Loss of credibility contributes to the decline of CSR image, which is an important component of corporate image. Customers realize that the products produced by companies that implement CSR have better quality than companies that do not implement CSR (Galbreath, 2010). Customer purchase intentions have been positively influenced by CSR actions both directly and indirectly by increasing brand image and trust, while customer awareness of CSR activities plays a mitigation function (Zhang & Ahmad, 2021). Therefore, CSR improves business performance, improves business image and reputation, and increases satisfaction among stakeholders which has an impact on the company's financial performance (Martos-Pedrero et al., 2019).

Companies that use third-party reviews show that the company prioritizes better long-term aspects, even though the costs are higher. Similarly, when the position of the company's financial performance is not good, credible CSR communication will make customers more confident in CSR activities and disclosures carried out by the company. Some customer stakeholder decisions on CSR form the company's basis that currently stakeholders have a central role and are increasingly "powerful" in supporting company goals (Öberseder et al. 2013). The support of each of these stakeholders will affect the company's financial performance.

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Third party reviews are one way to increase the credibility of the CSR report. However, this effect will be lost if third-party reviews of CSR reports can provide relevant value for stakeholder decisions which will ultimately affect the company's financial performance. It is based on the formation of an alliance broadly including shareholders, customers, employees, suppliers, government and society. With this alliance, stakeholders will synergize with each other to pay attention to the relevance of the CSR reports disclosed by the company, so that they will be free from the halo effect. Research by Akisik & Gal, (2017) found that third party reviews as CSR proxies have relevant value for stakeholders in supporting the company.

Based on theoretical studies and previous research, the following hypotheses can be developed:

H_1: Sales strengthen the positive effect of CSR disclosure on the company's financial performance.

Legitimacy theory states that when a company's financial performance is in a bad condition, the company must find ways to improve it by obtaining legitimacy from stakeholders. This legitimacy is obtained through credible CSR activities and disclosures. The results of this study support research from Walker et al., (2016); Akisik & Gal, (2017); Mawardi, (2019) which states that communication on CSR will lead to good relations between companies and stakeholders by taking strategic steps both internally and externally. CSR activities and disclosures will not only contribute to superior financial performance but to help companies with poor financial performance grow and develop faster (Akisik & Gal, 2017).

The company's ability to create and maintain financial performance depends on its competitive effectiveness which is determined by the company's relationship with stakeholders including employees (Bagus & Sedana, 2021). Companies must maintain good relations with stakeholders so that all business operations run smoothly. Legitimacy theory states that the way a company fulfills its goals is to gain legitimacy from its stakeholders, including customers and employees. The mechanism for gaining legitimacy is by carrying out and disclosing its social responsibility activities in the form of credible reports. These results support research from Mawardi, (2019) CSR has succeeded in dominating a strong relationship with the company's operating performance, namely ROA. Companies in disclosing their CSR reports are also important to pay attention to the company's financial performance.

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Another major stakeholder group is the employee group. When employees consider CSR disclosure in a positive direction, employees see the company's CSR activities as profitable and when employees view CSR activities more positively, employee engagement with the company increases thereby increasing employee work productivity which has an impact on the company's financial performance (Ahmed & Thabassum, 2020). When companies carry out CSR, there is evidence that individuals will be interested in finding work at the company and assume that the company has a high prestige value (Mawardi, 2019). (Gond & Akremi, 2015) states that individuals who work in companies that have social responsibility (CSR) will be more loyal, committed and more satisfied than companies that are not socially responsible. This is because the company is more committed to long-term goals so that the welfare and position of employees will be guaranteed. The greater the number of employees in the company, the greater the pressure on the company to produce a higher quality CSR report (Vitolla, 2019). Companies that use third-party reviews show that the company prioritizes better long-term aspects, even though the costs are higher. Similarly, when a company's financial performance is in a bad position, credible CSR communication will challenge employees to increase productivity so that even financial performance in bad conditions can be overcome. Some employee stakeholder decisions on CSR form the company's basis that currently stakeholders have a central role and are increasingly "powerful" in supporting company goals (Öberseder et al. 2013). The support of each of these stakeholders will affect the company's financial performance.

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H_2: The number of employees strengthens the positive effect of CSR disclosure on the company's financial performance.

RESEARCH METHOD

The research design describes a series of research processes that include determining the variables studied and the data that will be used to test the hypotheses that are designed. This research was conducted to find out how the influence of CSR disclosure on financial performance with stakeholder pressure as a moderating variable. This research was conducted at all mining companies listed on the Indonesia Stock Exchange (IDX) during 2019-2021. The required data can be accessed via www.idx.co.id and the website of each company. The variables used in this study are independent variables (free), dependent variables (bound), and moderating variables (moderation). The independent variable in this study is CSR. While the dependent variable in this study is Financial Performance (KK). Moderating variables in this study are Customer Stakeholder Pressure (PLG) and Employees (KAR). The total population in this study is as many as 59 companies. While the sample is a portion of a characteristic possessed by a population. Samples were taken using nonprobability sampling (nonprobability sampling) with purposive sampling technique. Purposive sampling is a sampling technique based on certain or specific criteria. The criteria used by researchers in selecting samples consist of the following provisions:

1) Mining companies listed on the Indonesia Stock Exchange (IDX)
2) Companies that go IPO on the IDX before 2020
3) Companies that publish complete annual reports, sustainability reports, financial statements and in some companies these reports are usually prepared simultaneously through integrated reports starting in 2019-2021.

The total number of companies that met all the criteria was 38 companies with a total sample of 75 observations.

The data collection method in this study was to use the non-participant observation method, namely the data collection method by observing and recording the required data where the researcher was not directly involved in the company's activities and only as an observer. The data used and collected in the research are annual reports

starting from the 2019 period to the 2021 period obtained from the official IDX website (ww.idx.co.id) and a Sustainability report obtained from the company's website as well as CSR disclosure based on GRI guidelines.
Testing the moderation hypothesis was carried out using moderated regression analysis (MRA) which was estimated by SEM-PLS (Ghozali and Latan, 2012). A variable that can be said to be a moderating variable will be declared meaningful or significant if the significant t value is less than 0.05.

RESULT AND DISCUSSION

Evaluation of the measurement model (outer model)

Table 1. Outer Loadings

Variable	FP	CSR	CST	EPL
FP	1,000			
CSR		1,000		
CST			1,000	
EPL				1,000

Secondary Data, 2023

Based on table 1 the test results on the outer loading above, all indicators measuring each variable of financial performance, third party reviews of CSR reports, customer and employee stakeholder pressure have a loading value of > 0.70 and it can be concluded that the construct meets convergent validity, and the indicators can be said valid.

Table 2. Average Variance Extracted (AVE)

Variable	*Average Variance Extracted* (AVE)
FP	1,000
CSR	1,000
CST	1,000
EPL	1,000

Secondary Data, 2023

Based on table 2 it can be seen for validity analysis which can be seen from the loading factor value of each construct. that the loading factor and AVE values are 1.0 > 0.70 and 0.50 indicating that the variables of financial performance research, third-party reviews of CSR reports, customer and employee stakeholder pressure are valid.

Tabel 3. Composite Reliability dan Cronbach's Alpha

Variable	*Composite Reliability*	*Cronbach's Alpha*
FP	1,000	1,000
CSR	1,000	1,000
CST	1,000	1,000
EPL	1,000	1,000

Secondary Data, 2023

Based on table 3, the results of the reliability test are seen from the composite reliability and Cronbach's alpha values. The statistical test results show a composite reliability and Cronbach's alpha value of 1.0 > 0.70, this indicates that the constructs of financial performance variables, third-party reviews of CSR reports, stakeholder pressure, customers and employees are reliable.

Evaluation of the structural model (inner model)

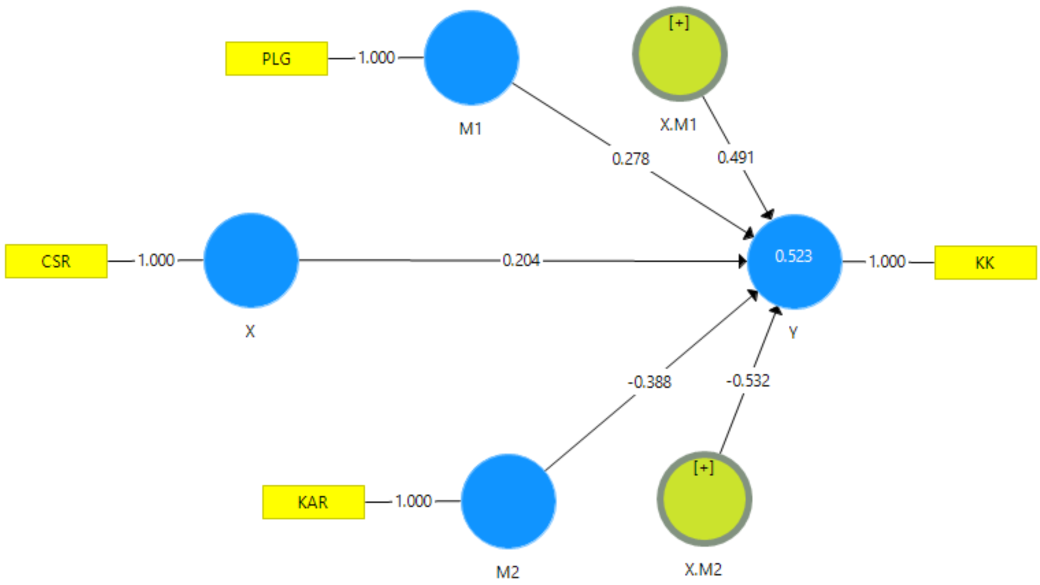

Figure 1. Determination Coefficient (R^2)

Based on Figure 1 above, an R-Square value of 0.523 is obtained indicating that the variability of the construct of financial performance is explained by third-party reviews of CSR reports with moderation of customer and employee stakeholder pressure of 52.3% for latent variables in the structural model identifying that the model is moderate. Meanwhile, 47.7% is explained by other variables that are not included in this research model.

Direct Effect

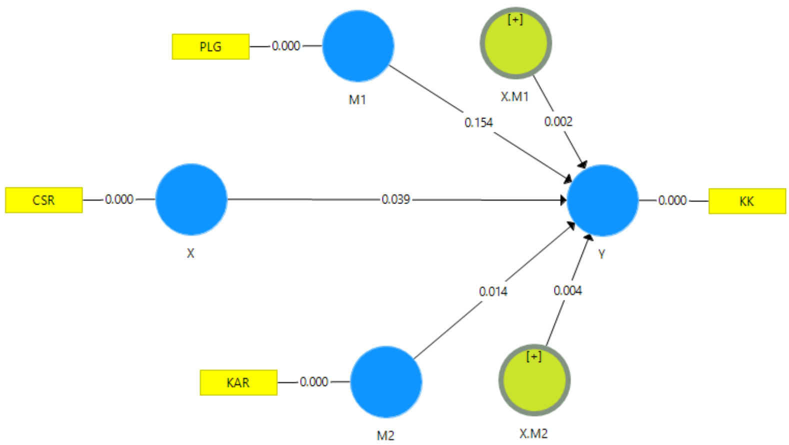

Figure 2. Direct Effect SEM-PLS Output

Table 4. Direct Effect (Hypothesis Testing)

Hipotesis		*Path Coefficient*	*P Values*	Information
H_1	Moderasi CST*CSR → FP	0,491	0,002	Accepted
H_2	Moderasi EPL*CSR → FP	-0,532	0,004	Rejected

Secondary Data, 2023

Moderation of customer stakeholders on CSR and financial performance

Based on figure 2 and table 4 above, it can be shown that third-party reviews of CSR reports moderated by customer stakeholder pressure have a p value of 0.002, which means it is significant (smaller α = 0.05), with a path coefficient value of 0.491 which indicates a positive direction on financial performance. The test results state that customer stakeholder pressure has a positive and significant effect (can strengthen the effect of third-party CSR report reviews on financial performance). The results of the study show that the pressure of customer stakeholders enters into a type of pure moderation. Customer stakeholder pressure becomes a pure moderating variable due to customer stakeholder pressure moderating the relationship between CSR report third party review variables and financial performance, where pure moderating variables interact with financial performance without being an independent variable. The first estimate of customer stakeholder pressure has no significant effect on financial performance variables, while the interaction of third-party reviews of CSR reports and customer stakeholder pressure on the second estimate has a significant effect on financial performance. Thus, the moderating variable relationship can be said to be a pure moderation type. The conclusion from these results is H_1 which states that customers, in this case sales, strengthen the positive influence of CSR disclosure on the company's financial performance, which means that higher company sales are able to motivate companies to conduct third-party reviews of CSR reports so that the impact on the company's financial performance is higher (ROA).

These results support the legitimacy theory which states that organizations seek to build conformity between social values related to organizational activities and acceptable behavioral norms within the larger social system of which the organization is a part. When there is a difference, it will threaten the legitimacy of the Dowling & Pfeffer organization. (1975). Legitimacy theory also states that the way a company fulfills its goals is to gain legitimacy from stakeholders, including customers. One way to gain legitimacy is by disclosing a credible CSR report. The results of this study also support the stakeholder theory which states that a company cannot survive without stakeholder communication and support. The company always wants to maintain good relations with stakeholders so that all the company's operating activities are in accordance with the goals set by the company. One way to get this support is by carrying out credible CSR activities and communications.

Moderation of employee stakeholders on CSR and financial performance

Third-party reviews of CSR reports moderated by pressure from employee stakeholders have a p value of 0.004, which means it is significant (greater $\alpha = 0.05$), with a path coefficient value of -0.532 which indicates a negative direction towards financial performance. The results of these tests can be concluded that employee stakeholder pressure has a negative and significant effect (weakening the effect of third-party CSR report reviews on financial performance in a negative direction). The results of the study show that the pressure of employee stakeholders enters into a type of quasi moderation (quasi moderation). Employee stakeholder pressure is said to be a pseudo moderation because both alone and interacting with third party reviews of CSR reports (X1*M2) have a significant effect on financial performance. So the existence of employee stakeholder pressure (moderation) has a double function, besides being a moderating variable and also acting as an explanatory/predictor variable. Thus the pressure of employee stakeholders is said to be a pseudo moderating variable. This indicates that H_2 which states that the number of employees can strengthen the positive effect of CSR disclosure on the company's financial performance is rejected, which means that the greater the employee pressure is able to motivate the company to conduct third-party reviews of CSR reports so that it has an impact on decreasing the company's financial performance.

The results of this study do not support the legitimacy theory, which states that organizations strive to build conformity between social values related to organizational activities and acceptable behavioural norms within the larger social system of which the organization is a part. When there is a difference, it will threaten the legitimacy of the organization (Dowling & Pfeffer, 1975). The company always wants to maintain good relations with stakeholders so that all the company's operating activities are in accordance with the goals set by the company, namely increased financial performance. One way to get this support is by carrying out credible CSR activities and communications. The results of this study state that the amount of pressure exerted by employees is able to motivate companies to conduct third-party reviews of CSR reports but reduce the company's financial performance. The results of this study also do not support the stakeholder theory which states that when a company experiences poor financial performance, the company needs stakeholder support to restore better financial performance. This support is obtained when the company fulfills stakeholder needs, namely carrying out and disclosing credible CSR. Akisik & Gal, (2017). On the other hand, the more the number of employees in the company, the greater the costs that will be incurred by the company. Moreover, the pressure that employees put on the company in conducting third-party reviews of CSR reports will also increase company costs so that it has implications for a decrease in the company's financial performance.

CONCLUSION

The results of this study do not fully support legitimacy theory and stakeholder theory. This happens because not all the hypotheses put forward can be supported by legitimacy theory and stakeholder theory, therefore, further studies related to the topic of financial performance, third party reviews of CSR reports and stakeholder pressure

are still very much needed, especially in companies in other sectors that listed on the IDX. The contribution of the results of this study proves empirically for the further development of legitimacy and stakeholder theory.
The results of this study found that quite several mining companies in Indonesia have used third party review services as suggested by GRI. This also shows the commitment of mining companies in Indonesia in demonstrating the credibility of their CSR reports, because looking at the existing cases, mining companies are companies that are very vulnerable to environmental hazards and cause social conflict in society. However, the pressure of employee stakeholders in this study has not been able to strengthen the positive effect of third-party reviews of CSR reports on financial performance. It is hoped that in the future there will be more mining companies in Indonesia that use third party reviews in assessing the credibility of their CSR reports, given the importance of the value of activities with disclosures that can be trusted by stakeholders. The contributions of the results of this study are: (1) for company management, this research will become a basis for management considerations to pay more attention to social and environmental responsibility activities and reporting including the credibility of the report, even though the pressure of employee stakeholders has not been able to strengthen the positive influence of third party CSR report reviews on performance but there is still pressure from other stakeholders such as investors who will assess the CSR report seen from third party reviews as suggested by GRI (2) for investors to be one of the considerations for making decisions to invest in companies that are more concerned about social and environmental issues.

Disclosure of CSR is still voluntary and there is no policy related to sanctions or binding consequences if a company does not disclose CSR. Currently, CSR disclosure in Indonesia is not yet mandatory indicating that stakeholders do not have a strong basis to pressure companies to make disclosures. The contribution of the results of this study is expected to add to the basis for consideration for the government in making policies related to CSR disclosure to increase the regulatory level to a mandatory level. This is motivated by the implications of third-party reviews of CSR reports through stakeholders.

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