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Corporate governance and company size on profitability with corporate social responsibility as a moderating variable

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ABSTRACT

Profitability is a crucial factor that requires special attention. This is due to the need for a company to remain profitable in order to maintain its survival. This research aims to determine the influence of Corporate Governance and Company Size on Profitability with Corporate Social Responsibility as A Moderating Variable. This research method is a quantitative research method in the period 2018 to 2022 there are 15 companies listed on the IDX which are used as population. The sampling technique in this study used purposive sampling with the criteria that the company publishes annual reports every year and the company is listed on the IDX from 2018 to 2022. After selecting the sample, the population of 15 companies obtained the company data used, namely 14 companies and 70 data which will be processed with panel data regression with statistical software. The research results show that the audit committee, independent commissioner, and company size have a positive and significant effect on company profitability, CSR is able to positively moderate the influence of independent commissioners on company profitability. and CSR is unable to moderate the influence of the audit committee and company size on company profitability.

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Introduction

In 2020, the COVID-19 pandemic led to a growth rate of 9.39% (year-over-year) in the Chemical, Pharmaceutical, and Traditional Medicine Industry group. This was not only an increase from the 8.48% (year-over-year) growth in 2019 but also the highest growth rate among other industry groups (Perindustrian, 2021). Consequently, the Pharmaceutical Industry, which is part of the Chemical, Pharmaceutical, and Traditional Medicine Industry, is now considered a crucial sector for the sustainability of the Processing Industry sector in Indonesia. This has resulted in the pharmaceutical industry being categorized as a strategic industry and a focus for overall industrial development (Nopriandri, 2023). The positive growth of the pharmaceutical industry on the Indonesia Stock Exchange has been driven by the increasing purchasing power for medicines across various demographics and rising public health awareness. However, due to Indonesia's economic conditions, where the weakening of the Rupiah against the US Dollar and the Euro, combined with nearly 95% of raw materials for pharmaceutical production being imported, production costs are high, leading to lower profits (Tan & Hadi, 2020).

Profitability is a crucial factor requiring special attention. This is due to a company's need to remain profitable to ensure its survival. Profit is vital for attracting external capital. Without adequate profits, a company will face

difficulties in attracting external capital, thereby threatening its welfare and operational sustainability (Sanjaya & Rizky, 2018). Profitability is depicted by Return on Assets (ROA), comparing net profit with total assets, reflecting the profit generated from sales and investment income (Cahyani & Sitohang, 2020). ROA is a ratio used to evaluate how profitable a business is by comparing its net profit statistics with its asset ownership. This metric serves as a benchmark to assess how effectively an organization utilizes its resources to generate profits (Putri & Ramadhan, 2020).

Corporate Social Responsibility (CSR) serves as a primary tool in corporate governance as a social action. CSR practices typically involve corporate-level governance to engage in social and environmental activities. CSR enhances a company's reputation, thus integrating social practices into corporate governance (Lu et al., 2021). During the COVID-19 pandemic in 2020, several companies redirected their social responsibility programs to disaster relief by providing donations, initiating COVID-19 mitigation programs, and more (Noviarty & Edryani, 2021). For example, PT Kalbe Farma Tbk, in collaboration with doctorShare, provided Personal Protective Equipment (PPE) through the Indonesia Global Compact Network (IGCN) to 55 hospitals in Indonesia, particularly the floating hospitals initiated by doctorShare. The PPE donations included 4,200 surgical masks, 520 medical-grade hazmat suits, and 150 non-medical grade hazmat suits as part of Kalbe's contribution to COVID-19 management in Indonesia (Handayani, 2020). Another pharmaceutical company, PT Indofarma Tbk, donated 2,500 ampoules of 500mg/2ml Vitamin C Injection to state-owned hospitals managed by PT Pertamina Bina Medika IHC for COVID-19 patient care (Indoalkes, 2020). Additionally, PT Dexa Group, Jakarta, donated 32,400 Neurodex tablets to help combat the COVID-19 pandemic in East Java (Syarifuddin & Saudi, 2022).

As an implementation of Corporate Social Responsibility (CSR), nine national pharmaceutical companies donated medicines and medical equipment to Sri Lanka, which faced a drug shortage due to an economic crisis in 2022. The donations included cancer drugs worth IDR 13.5 billion, while medical equipment manufacturers donated health tools worth IDR 9 billion (Pressrelease.id, 2022). Such CSR practices significantly enhance the company's reputation in the eyes of consumers, subsequently boosting the company's profitability. Corporate Governance (CG) involves controlling and monitoring a company's social practices. Profit maximization is generally the primary motive of any business. CG includes factors such as CEO power, board composition, ownership structure, and audit quality, aligned with the guidelines of the Securities and Exchange Commission of Pakistan (SECP) (Lu et al., 2021). Regarding CG in Indonesia, there are currently 217 pharmaceutical finished goods industries, 18 active pharmaceutical ingredient industries, 1,077 traditional medicine production facilities, 1,024 cosmetic production facilities, and 4,669 processed food facilities. These industries generate substantial production waste that must be optimally managed to avoid disrupting environmental balance (Risalah et al., 2023). This necessitates corporate governance policies addressing environmental issues.

The corporate governance phenomenon in Indonesia's pharmaceutical industry became evident during the COVID-19 pandemic. The industry faced moderate increases in demand for COVID-19-related products, while over 90% of raw materials still relied on imports. Most pharmaceutical raw materials were imported from China and India. When these countries implemented lockdowns, national pharmaceutical raw material supplies were disrupted, affecting business operations. This prompted the industry to consider diversifying its supply chain beyond China and India (Kardoko, 2020). This situation highlighted the role of the audit committee in ensuring that pharmaceutical company management identifies and manages risks associated with dependence on imported raw materials. Independent commissioners provided an objective view of strategic decisions related to risk management and business sustainability, evaluating company policies and measures to address raw material supply challenges during the pandemic. They also ensured the company adhered to ethical standards and integrity in business operations.

Company size represents the scale of a business. Larger companies can diversify more easily and are less prone to bankruptcy. Well-established companies have easier access to capital markets compared to smaller ones, providing greater flexibility (Sopian & Rahayu, 2017). The impact of company size was evident during the coronavirus outbreak on the Composite Stock Price Index (IHSG). Stock prices fell across almost all sectors except for the pharmaceutical sector. Some pharmaceutical companies experienced asset growth, such as KAEF, whose assets increased from IDR 11.32 trillion in 2018 to IDR 18.35 trillion in 2019. Similarly, KLBF's assets grew by 11.67% in 2019 from the previous year's IDR 20.26 trillion. This significant asset growth in pharmaceutical companies during the pandemic contributed to increased profitability. PT Kimia Farma Tbk (KAEF), a pharmaceutical company, experienced significant fluctuations in Return on Assets (ROA) from 2020 to 2022. In 2020, its ROA increased from 0.001 to 0.017. Although it reached 0.017 in 2021, by 2022, PT Kimia Farma's ROA plummeted to -0.521. This sharp decline contrasted with previous performance, indicating changes in the company's financial condition during that period. The decline in ROA was attributed to the company's temporary halt in distributing and selling liquid medicines in response to government instructions

concerning acute kidney injury cases linked to syrup components, primarily affecting children under five, according to Kimia Farma's Corporate Secretary, Winarno Putro (Utami s, 2022). The Head of BPOM RI, Penny K. Lukito, stated that production facility inspections revealed that pharmaceutical companies changed raw material suppliers and used non-compliant raw materials (CNN, 2022). The following table explains the Return on Assets (ROA) in pharmaceutical companies.

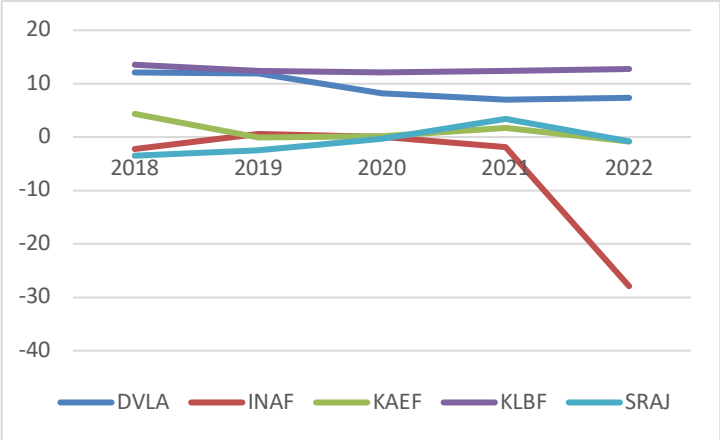

Figure 1. Decline in Return on Assets (ROA) Ratio of Pharmaceutical Companies 2018-2022
Source: idx.co.id

The recall of syrup medicines containing Ethylene Glycol (EG) and Diethylene Glycol (DG) by BPOM has affected the drug manufacturer PT Kimia Farma Tbk (KAEF) (Daelami, 2022). According to the income statement, KAEF experienced a loss of IDR 109 billion in 2022, after previously recording a net profit of IDR 289 billion in 2021. The consumption of these syrup medicines led to 324 cases of acute kidney failure, with a high mortality rate of 194. However, around 102 people recovered, and 28 were still under treatment (Fakhri Rezy, 2022). In 2019, PT Kimia Farma Tbk (KAEF) reported a loss of IDR 12.72 billion due to increased company expenses caused by rising debts and foreign exchange rate differences (Wareza, 2020).

PT Sejahtera Raya Anugrah Jaya Tbk (SRAJ), the operator of the Mayapada Hospital network, reported a loss of IDR 44.18 billion in 2022. This was influenced by an increase in direct expenses while revenues remained stable. Additionally, gross profit fell to IDR 557.05 billion from IDR 705.03 billion, affected by higher direct expenses. The direct expense ratio was 71.19% against revenue, up from 63.33% previously. Operating profit was IDR 31.01 billion, down from IDR 226.48 billion (IDN Financials, 2023). Direct expenses at a hospital include patient room charges per night, examination fees, consultation fees, laboratory/testing/equipment fees, medical procedure costs, medication, and administrative costs (Aulia et al., 2017). PT Indofarma Tbk (INAF) recorded a loss attributable to the parent entity of IDR 428 billion in 2022, a tenfold increase from the IDR 37 billion loss in 2021 (Muawwan, 2023). This was due to reduced revenues from falling product and service sales in the local market.

The company's five main product categories are ethical, fast-moving consumer goods (FMCG), medical devices, clinical services, vaccines, and over-the-counter products (Daelami, 2022). Research by (Lu et al., 2021; Zainal, 2015) revealed that all corporate governance factors positively influence company profitability, and CSR is proven to moderate good governance's effect on profitability. Studies by (Ahmed & Hamdan, 2015; Naveed & Ramzan, 2013a) found a significant positive effect of company size on profitability, while other studies (Apriliani & Dewayanto, 2018; Epi, 2017) found no such effect. The results of these previous studies show a research gap, indicating inconsistent findings possibly due to different variable measurements, populations, or research objects. Therefore, this study will re-examine the variables of corporate governance and company size as independent variables affecting company profitability, with corporate social responsibility as a moderating variable.

This analysis aims to examine the impact of good corporate governance and company size on company profitability, moderated by corporate social responsibility. The analysis benefits the institutional sector by providing insights for policy and strategy decisions to enhance company profitability. Understanding how corporate governance factors and company size contribute to profitability, and how CSR influences this relationship, will help companies develop more effective strategies to achieve business goals. For future researchers, this study serves as a reference or basis for further research on similar topics.

Impact of the Audit Committee on Company Profitability

The audit committee, as a proxy for corporate governance, positively impacts the company. This is because the audit committee's task is to provide improvement recommendations based on their findings during oversight. These recommendations can help the company optimize business processes, increase efficiency, and ultimately improve financial performance, thus boosting company profits (Aji et al., 2023). According to (Kholis et al., 2022), the audit committee plays a crucial role in ensuring the integrity of financial statements. By actively overseeing financial reporting, the audit committee ensures that the information presented accurately and honestly reflects the company's financial condition. This aligns with research by (Alabdullah & Ahmed, 2020), which found that the audit committee significantly affects company profitability. However, this contrasts with (Lumbanraja, 2021), who stated that the audit committee does not affect company profitability. Therefore, the hypothesis in this study is: H_1a: The Audit Committee Positively Affects Company Profitability

Impact of Independent Commissioners on Company Profitability

During the company's profitability process, an independent supervisory board is needed to examine the company's profitability independently (Riyandika & Saad, 2020). Related to agency theory, independent commissioners have the authority to oversee the company's management (agent) (S. B. Putri & Rachmawati, 2023). The board of independent commissioners can balance the interests of shareholders and managers by providing an objective perspective on financial and investment policies. Moreover, independent commissioners critically assess business risks and opportunities, leading to wiser decisions that enhance profitability (P. P. Sari & Pratiwi, 2023). This aligns with (Nuridah et al., 2023), who found that independent committees significantly influence company profitability. However, this contradicts (Riyandika & Saad, 2020), who stated that independent commissioners do not affect company profitability. Therefore, the hypothesis in this study is: H_1b: Independent Commissioners Positively Affect Company Profitability

Impact of Company Size on Company Profitability

Company size indicates the company's ability to generate profits, with larger companies typically achieving higher profits. Company managers desire high company profits, as they indicate good company growth. Therefore, managers of both large and small companies engage in earnings management to achieve high company profits. Earnings management actions result in conflicts of interest between managers and owners. The larger the company size, the more agency conflicts and increased burden from the company's size (Apriliani & Dewayanto, 2018). Large companies with substantial resources will engage in more extensive disclosures and can afford to provide internal information. This information also serves as material for external disclosures to investors and creditors, requiring less additional cost for broader disclosures. Hence, large companies have lower information production costs than small companies (Silalahi & Ardini, 2017). A large and established company will find it easier to enter the capital market. The ease of accessing the capital market means greater flexibility and higher investor confidence due to its substantial operational performance. Large companies can attract more investor interest compared to small companies, as they have better investment placement flexibility (Wulandari, 2017). Research by (Ahmed & Hamdan, 2015; Naveed & Ramzan, 2013b; Theacini & Wisadha, 2014) found a significant positive effect of company size on profitability. Meanwhile, studies by (Almashhadani & Almashhadani, 2022; Apriliani & Dewayanto, 2018; Epi, 2017) found no effect of company size on profitability. Therefore, the first hypothesis in this study is: H_2: Company Size Positively Affects Company Profitability

CSR Moderates the Effect of the Audit Committee on Company Profitability

CSR serves as an essential tool to control and monitor corporate governance practices to maximize profits (Jo & Harjoto, 2011). CSR, encompassing the company's responsibilities towards society and the environment, can play a crucial role in reducing the company's reputation risk and increasing stakeholder trust (Julythiawati & Ardiana, 2023). Thus, in situations where companies have strong CSR practices, the audit committee's role in corporate governance is positively reinforced, enhancing company profitability (Pratiwi & Bahari, 2020). This aligns with research by (Chijoke-Mgbame et al., 2020; Javed et al., 2020; Lu et al., 2021), which stated that Corporate Social Responsibility (CSR) could moderate the audit committee's impact on company profitability. Therefore, the third hypothesis in this study is: H_3a: Corporate Social Responsibility (CSR) can Moderate the Audit Committee's Relationship with Company Profitability

CSR Moderates the Effect of Independent Commissioners on Company Profitability

Independent commissioners have the responsibility and authority to oversee policies and activities conducted by the board of directors and management in managing the company's resources to achieve optimal effectiveness, efficiency, and economy (Atwiningsih & Pujianto, 2023). These policies can be reinforced by the company's Corporate Social Responsibility (CSR) efforts to enhance profitability. Based on this, there is a direct influence of independent commissioners on profitability, strengthened by CSR. This aligns with research by (Purbawangsa et al., 2020), which stated that Corporate Social Responsibility (CSR) could moderate the effect of independent commissioners on company profitability. Therefore, the third hypothesis in this study is: H_3b:

Corporate Social Responsibility (CSR) can Moderate the Relationship between Independent Commissioners and Company Profitability.

CSR Moderates the Effect of Company Size on Company Profitability

Company size can indicate a company's condition based on its total assets, sales volume, average sales level, and total average assets. Company size measured by assets shows the extent of the company's wealth. Company size is believed to affect the company's financial performance, as reflected in the quality of the financial statements presented (Sukmayanti & Triaryati, 2019). Company size, seen from the total assets owned by the company, can be used for operational activities or viewed from the company's total sales (W. Sari & Wiyanto, 2022). Companies with large total assets will allow management more flexibility in utilizing those assets, and if a company has large total sales, it means that the company can manage its inventory well, which can generate profits (Aryaningsih et al., 2022). Additionally, if the company is environmentally conscious, it is considered more attentive to its future profitability, which will be positively evaluated by investors. A positive corporate image will make the company more valuable and promising in providing stable returns, thereby attracting investors and increasing the company's profits (Wulandari, 2017). Companies with high efficiency and strong market power tend to enhance their CSR efforts to assure investors that the company's profitability can improve. Therefore, the fourth hypothesis in this study is: H_4: Corporate Social Responsibility (CSR) can Positively Moderate the Relationship between Company Size and Profitability.

Based on the relationships among the variables above, the research model can be illustrated as shown below:

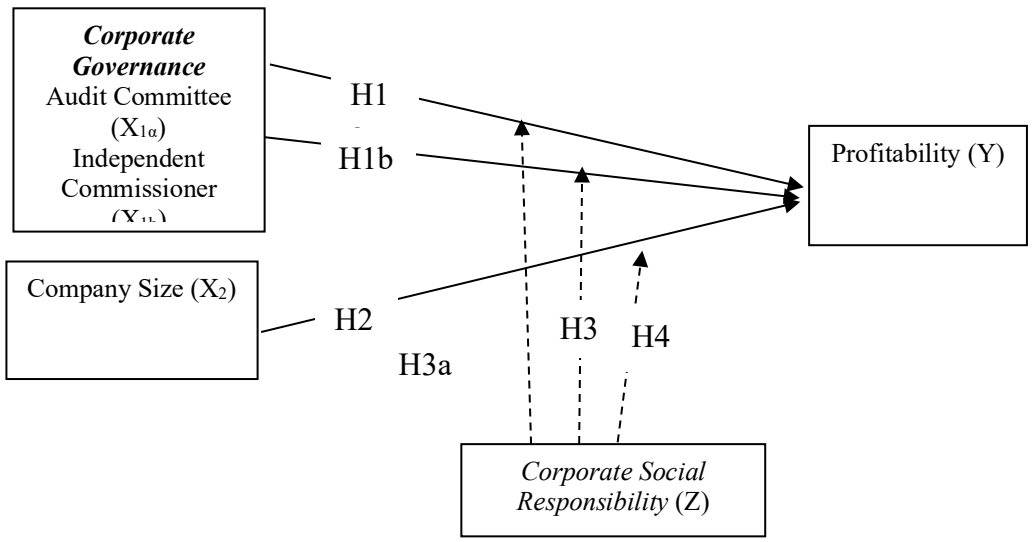

Figure 1. Research Model

Method

This study employs a quantitative research method based on positivism philosophy to investigate specific populations or samples by using statistical data collection and instruments to test predetermined hypotheses (Sugiyono, 2019). The data used in this research includes independent variables such as the audit committee, independent commissioners, and company size. The moderating variable is CSR, and the dependent variable is profitability, proxied by ROA, from pharmaceutical manufacturing companies listed on the IDX from 2018 to 2022. Data collection was obtained from the official IDX website at www.idx.co.id and the official websites of the respective companies in the form of financial reports. From 2018 to 2022, 15 companies listed on the IDX were considered the population. The sampling technique in this study used purposive sampling with criteria of companies publishing annual reports every year and being listed on the IDX from 2018 to 2022. After sample selection, the population of 15 companies yielded data from 14 companies and 70 data points, which will be processed with panel data regression using statistical software. This was done because MERCK and SCPI had identical financial reports based on findings from 2018 to 2022, thus excluding them from the sample. In this study, multivariate testing was performed using multiple regression analysis processed with statistical software.

Statistical analysis is a technique for collecting and extracting large amounts of data to identify trends and patterns in the data sets. Panel data regression analysis, descriptive analysis, and hypothesis testing were applied in this research. The data properties were described using descriptive analysis. This method provides data

summaries containing useful information that can be discussed. Additionally, descriptive quantitative data analysis techniques were used to evaluate data performance over the specified years, allowing conclusions to be drawn. Data analysis is presented in the form of minimum and maximum values, mean, and standard deviation. Panel data regression analysis can be conducted using three alternative processing methods. These approaches are the Common Effect/Pooled Least Square (CEM) method, the Fixed Effect (FE) method, and the Random Effect (RE) method. Using statistical software programs, several tests help determine the most efficient method among these three equation models. This study only used the Chow Test and the Hausman Test. The assumptions used in this analysis include normality, multicollinearity, and heteroscedasticity.

Panel data analysis is a statistical method used to analyze data that combines time series and cross-sectional elements. The steps for panel data analysis include first collecting appropriate panel data for the study observed over different times for a number of individuals or the same observation units. The second step involves generating descriptive statistics such as mean, median, standard deviation, and others for each variable in the panel data (Muchson & MM, 2017).. This helps understand the basic characteristics of the research data. The next step in analyzing panel data involves using common effect, fixed effect, and random effect models. Using panel data is advantageous because it combines data, thus increasing data availability (Widarjono, 2005). This study also uses the Moderated Regression Analysis (MRA) test or interaction test, which is a specific application of multiple linear regression where the regression equation contains interaction elements (multiplication of two or more independent variables) (Liana, 2009).

Results and Discussion

This study aims to determine the influence of corporate governance and company size on profitability with corporate social responsibility as a moderating variable. The research analysis includes descriptive statistics, panel data regression, and classical assumption tests, with the research results explained as follows:

Descriptive Statistics

Descriptive statistical analysis is a test used to evaluate sample data by describing the results without drawing conclusions from those calculations. The calculations in this test include mean, minimum, maximum, and standard deviation (Wahyuni et al., 2021). The results of the descriptive statistical tests are as follows.

Table 1. Descriptive Statistics

	ROA (Y) (%)	KA (X1a)	KI (X1b)	SIZE (X2)	CSR (M) (GRI-G4)
Mean	0.135883	2.942857	0.479714	28.90200	0.430557
Maximum	0.921000	4.000000	0.750000	30.94000	0.681000
Minimum	-0.279300	2.000000	0.250000	25.95000	0.099000
Std. Dev.	0.198052	0.535297	0.129682	1.099836	0. 137592

Source: Processed data (2024)

Based on Table 1, the descriptive statistics show that for the ROA variable, the average is 0.1358 (13.58%) with the highest value being 0.921 (92.1%) for the company MERCK in 2018. This was due to the divestment of the consumer health business segment worth IDR 1.36 trillion, which strengthened operational processes and expanded the company's presence in the global market (Merck, 2018). Meanwhile, the lowest value was -0.2793 (-27.93%) for the company INAF in 2022. This was caused by a decline in medicine sales amounting to IDR 543 billion, compared to IDR 2.04 trillion in 2021. The high sales in 2021 were due to vaccine sales, which were not conducted in 2022 (Indofarma, 2022). The standard deviation in this study is 0.198052.

The Audit Committee variable has an average of 2.94 with the highest value being 4 for the company KAEF from 2018-2022 and PRDA from 2018-2020. The large number of audit committee members in KAEF aligns with the extensive activities undertaken by the audit committee, such as monitoring KAP performance through regular meetings and providing feedback on financial statement risks, as well as reminding KAP to remain independent and objective. They also monitor SPI performance by providing improvement suggestions, strategies, and encouraging the Board of Directors to follow up on SPI findings (PT Kimia Farma, 2022). In PRDA, the large number of audit committee members are tasked with monitoring and evaluating the planning and implementation of audits and following up on audit results to ensure adequate internal control, including the adequacy of the financial reporting process, evidenced by holding 14 meetings in 2020 (Prodia, 2022). The lowest value was 2 for the companies PYFA from 2018-2022, PEHA in 2019, MERCK in 2018 and 2021-2022, and INAF from 2018-2020. The standard deviation in this study is 0.535297. Essentially, a low number of Audit Committee members results in suboptimal oversight, potentially increasing the risk of errors, irregularities, and a decline in company performance.

The Audit Committee should consist of at least three members, including Independent Commissioners and external parties from the Issuer or Public Company (Financial Services Authority, 2015). The Independent Commissioner variable has an average of 0.4797 with the highest value being 0.75 for the company PYFA from 2018-2022. The large number of independent commissioners in the company is regulated by POJK 33/2014, and independent commissioners are responsible for overseeing and representing the interests of minority shareholders (PT Pyridam Farma Tbk, 2017). The lowest value was 0.25 for the company KAEF in 2020. The standard deviation in this study is 0.129682. Independent Commissioners should consist of at least two members (POJK, 2015). A low number of independent commissioners can result in suboptimal oversight, increasing the risk of conflicts of interest and reducing effectiveness in maintaining corporate integrity and accountability.

The Company Size variable has an average of 28.902 with the highest value being 30.94 for the company KLBF in 2022. The high assets of KLBF are due to a 6.1% growth in the company's assets, reaching IDR 27.241 trillion, compared to IDR 25.667 trillion as of December 31, 2021. Current assets reached IDR 16.710 trillion or 61.3% of the company's total assets. The increase in asset value was mainly driven by an increase in inventory, accounts receivable, and intangible assets in line with business growth (PT Kalbe Farma Tbk, 2022). The lowest value was 25.95 for the company PYFA in 2018. The standard deviation in this study is 1.099836. Although PYFA had the lowest asset value compared to other pharmaceutical companies, it experienced a 17.23% increase in assets compared to the previous year, due to increases in cash and bank balances, trade receivables, inventories, advances, and prepaid expenses, while the increase in non-current assets was due to the purchase of fixed assets (PT Pyridam Farma Tbk, 2017). The CSR variable has an average of 0.430557 with the highest value being 0.681 for the company MIKA in 2020-2021. The high CSR level of MIKA is due to several policies supporting social and public health programs, such as routine and free health services to help the surrounding community, a scholarship program with STIKes Mitra Keluarga, and a vaccination program from Mitra Keluarga (Mitra Keluarga Karyasehat, 2018). The lowest value was 0.099 for the company TSPC in 2019, due to the limited information disclosed by TSPC in its CSR disclosure for that year. The standard deviation in this study is 0.137592.

Panel Data Regression Model Selection

The model testing was performed using three research equation models: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), selected using the Chow test, Hausman test, and Lagrange multiplier test. The following are the results of the model estimation tests that have been conducted:

Table 2. Panel Data Regression Model

Variabel	CEM		FEM		REM	
	Coefisient	Prob.	Coefisient	Prob.	Coefisient	Prob.
C	0.542774	0.5388	-11.54433	0.0000	-7.172183	0.0000
KA (X1A)	0.355491	0.5400	1.617080	0.0000	1.932112	0.0000
KI (X1B)	0.011787	0.9333	0.258255	0.0013	0.267451	0.0004
SIZE (X2)	-0.017070	0.5894	0.421118	0.0000	0.259470	0.0000
CSR (Z)	-4.473880	0.0011	-4.359739	0.0000	-4.406471	0.0000
Prob(F-statistic)	0.016070		0.000000		0.000000	
N	70		70		70	
R-Squared	0.168556		0.919908		0.662232	
Adj. R-Squared	0.117391		0.893724		0.641446	

Source: Processed data (2024)

Based on Table 2, the panel data regression model shows that in the Common Effect Model (CEM), only the VSR variable has a probability value below the significance level of 0.05 or 5%. The R-squared value of the CEM model is 0.168 or 16.8%, while the adjusted R-squared value is 0.117 or 11.7%. Based on Table 2, the panel data regression model shows that in the Fixed Effect Model (FEM), the variables audit committee, independent commissioner, company size, and CSR have probability results below the significance level of 0.05 or 5%. The R-squared value of the FEM model is 0.919 or 91.9%, while the adjusted R-squared value is 0.893 or 89.3%.

Based on Table 2, the panel data regression model shows that in the Random Effect Model (REM), the variables audit committee and company size have probability results below the significance level of 0.05 or 5%. The R-squared value of the REM model is 0.662 or 66.2%, while the adjusted R-squared value is 0.641 or 64.1%. After conducting model specification tests using the three model approaches, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), the model selection in panel data

regression is determined through systematic testing, including the Chow test, Hausman test, and Lagrange Multiplier test. These tests are statistical methods commonly used in panel data analysis to test assumptions and make decisions about the appropriate model selection (Widarjono, 2005). The Chow test is used to choose between the fixed effect model and the common effect model in panel data analysis. If the chi-squared probability is greater than 0.05, the common effect model is selected. However, if it is less than 0.05, the fixed effect model is used (Ibrahim et al., 2019). Another evaluation in the Chow test involves using the value of the Chow statistic (F-statistic). If the F-statistic is greater than the F-table value, the fixed effect model is selected, and vice versa (Aprilianti et al., 2022). The Chow test results are shown in the following table:

Table 3. Chow Test

Effects Test	*Statistic*	d.f	Prob.
Cross-section F	37.524497	(13,52)	0.0000
Cross-section Chi-square	163.799242	13	0.0000

Source: Processed data (2024).

Based on Table 3, the Chow test indicates a cross-section chi-square probability value of 0.0000 < 0.05. Evaluation using the Chow statistic shows that the F-statistic value (163.79) > F table (2.7459), indicating that the selected model is the fixed effect model. When the selected model is the fixed effect, the Hausman test needs to be conducted. The Hausman test is used to choose between the fixed effect (FE) and random effect (RE) in panel data analysis. When the p-value is less than the significance level < 0.05, the fixed effect model is selected. Conversely, if the p-value > 0.05, the random effect model is more suitable for the research data (Novianti et al., 2019). Another evaluation from the Hausman test involves using the Hausman statistic. If the Hausman statistic is greater than the critical Chi-Squares value, the null hypothesis is rejected, indicating that the appropriate model for panel data regression is the Fixed Effect model. Conversely, if the Hausman statistic is smaller than the critical Chi-Squares value, the null hypothesis is accepted, indicating that the appropriate model for panel data regression is the Random Effect model (Napitulu et al., 2021). The results of the Hausman test are as follows:

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d. f.	Prob.
Cross-section random	41.430123	3	0.0000

Source: Processed data (2024).

Based on Table 4, the Hausman test shows a probability level of 0.00 < 0.05, indicating that the selected model is the fixed effect. Meanwhile, in the evaluation, the value of the Hausman statistic is 58.213505 > 7.814728 (chi squares), indicating that the selected model is the fixed effect, and thus, there is no need to conduct the Lagrange Multiplier Test (Rinawati et al., 2022). Based on the testing results conducted above, the model selection for regression through tests, namely the Chow test and Hausman test. The Fixed Effect Model (FEM) becomes the best model among the Common Effect Model and Random Effect Model. The Adjusted R-Square value is 0.903099, which means that the contribution of the X1a, X1b, X2, Z, X1aZ, X1bZ, X2Z variables to the Y variable is 90%. Conclusion: After moderating variables were introduced, the effect of independent variables on the dependent variable became stronger, initially having an 89% influence (before moderation) and increasing to 90% (after introducing Moderation Variables).

Classical Assumption Test

The normality test is conducted to determine whether a data distribution is normal or not. According to the central limit theory, if there are more than 30 observations (n > 30), the data is still considered normal (Widayanti & Colline, 2017). According to (Ajija et al., 2011), the normality test is only used when the number of observations is less than 30, to determine whether the error term approaches a normal distribution. If the number of observations is more than 30, there is no need to conduct a normality test because the sampling error term distribution has approached normal. The number of observations in this study is 70 observations, so there is no need to test the normality of the data. The autocorrelation test is conducted to test whether there is serial autocorrelation in the residual of the panel data regression model using the Durbin-Watson (DW) test. The DW value must be between -2 and +2, indicating no autocorrelation (Khaeruman, 2018). The results of the autocorrelation test are as follows (Table 5).

Based on Table 8, autocorrelation shows a Durbin-Watson stat value of 1.561039, which falls within the range of -2 to +2, indicating that there is no autocorrelation issue in this study. Multicollinearity test is conducted in regression analysis to check if there is a significant correlation between two or more independent variables in the model by observing the correlation matrix of the independent variables when the relationship is strong, as indicated by coefficients greater than 0.8. The results of the multicollinearity test are as follows (Table 6).

Table 5. Autocorrelation Test

Root MSE	**0.040389**	**R-squared**	**0.919908**
Mean dependent var	0.102249	Adjusted R-squared	0.893724
S.D. dependent var	0.143746	S.E. of regression	0.046861
Akaike info criterion	-3.066226	Sum squared resid	0.114190
Schwarz criterion	-2.488042	Log likelihood	125.3179
Hannan-Quinn criter.	-2.836564	F-statistic	35.13262
Durbin-Watson stat	1.561039	Prob(F-statistic)	0.000000

Source: Processed data (2024)

Table 6. Multicollinearity Test

	X1A	**X1B**	**X2**	**Z**
X1A	1	0.614890	-0.530112	0.161995
X1B	0.614890	1	-0.231692	0.012090
X2	-0.530112	-0.231692	1	0.115498
Z	0.161995	0.012090	0.115498	1

Source: Data processed (2024).

Based on Table 9, multicollinearity testing using correlation matrices reveals that all variables, namely X1A, X1B, X2, and M, do not exhibit multicollinearity issues. This is because the correlation values among each independent variable are all less than 0.8. Heteroskedasticity testing on panel data is conducted to examine whether there is non-constant variation of residuals among panel units or time in the panel regression model through Breusch-Pagan-Godfrey test, where a probability value > 0.05 indicates no heteroskedasticity (Zahriyah, 2022). The results of the heteroskedasticity test are as follows:

Table 7. Heteroskedasticity Test

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-35.89231	19.82754	-1.810225	0.0760
X1A	3.109475	5.881811	0.528659	0.5993
X1B	0.538859	1.470135	0.366537	0.7155
X2	1.194968	0.731710	1.633117	0.1085
M	-16.18698	8.857450	-1.827499	0.0734

Source: Processed data (2024).

Based on Table 10, the heteroskedasticity test shows that the probability values of each independent variable and moderation are greater than 0.05, indicating that this study is free from heteroskedasticity issues. Therefore, the classical assumption test for heteroskedasticity in this study is fulfilled.

Hypothesis Testing

Hypothesis testing is a statistical procedure used to make decisions about a claim or hypothesis based on sample data. Hypothesis testing includes t-tests, F-tests, and coefficient of determination. The t-test or partial test functions to evaluate whether each predictor variable in the regression model has a significant effect individually on the response variable through the probability value < 0.05, indicating that the independent variables individually have a significant effect on the dependent variable. Conversely, if the probability value > 0.05, then the independent variables individually do not have an effect on the dependent variable (Syarifuddin & Saudi, 2022). The results of the hypothesis test are as follows (Table 8).

Based on Table 11, the hypothesis test shows that the variable X1A, namely the audit committee, has a probability value of 0.0000 with a coefficient value of 1.609343. This result indicates that H1a is accepted (rejecting H0), and the audit committee has a positive and significant partial effect on the profitability of companies listed on the IDX for the period 2018-2022. Therefore, each increase in the audit committee by one unit can increase company profitability by 1.609343. The variable X1B, namely independent commissioners, has a probability value of 0.0003 with a coefficient value of 0.292703. This result indicates that H1b is accepted (rejecting H0), and independent commissioners have a positive and significant partial effect on the profitability of companies listed on the IDX for the period 2018-2022. Therefore, each increase in independent commissioners by one unit will increase company profitability by 0.292703.

The variable X2, namely company size, has a probability value of 0.0000 with a coefficient value of 0.328025. This result indicates that H2 is accepted (rejecting H0), and company size has a positive and significant partial effect on the profitability of companies listed on the IDX for the period 2018-2022. Therefore, each increase in company size by one unit will increase company profitability by 0.328025. The X1BZ variable shows a

probability value of 0.0069 with a positive coefficient of 14.12207. This indicates that the CSR variable can moderate and strengthen the influence of independent commissioner variables on profitability. H3a is accepted (rejecting H0). CSR can enhance the role of independent commissioners in several significant ways. Well-managed CSR can enhance a company's reputation, crucial for attracting and retaining investors (Mustofa, 2012). Independent commissioners, consisting of individuals such as experienced professionals, academics, former executives, and experts in law and finance, play a role in overseeing and ensuring that CSR initiatives are not just formalities but truly bring tangible benefits to society and the environment (Wibawa et al., 2016).

Table 8. Hypothesis Testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-9.031019	1.323040	-6.825961	0.0000
X1A	1.609343	0.299328	5.376524	0.0000
X1B	0.292703	0.074798	3.913225	0.0003
X2	0.328025	0.048871	6.712109	0.0000
X1AZ	-18.13917	16.94290	-1.070606	0.2896
X1BZ	14.12207	5.009001	2.819339	0.0069
X2Z	1.013493	1.793197	0.565188	0.5745
Root MSE	0.037438	R-squared		0.931186
Mean dependent var	0.102249	Adjusted R-squared		0.903099
S.D. dependent var	0.143746	S.E. of regression		0.044747
Akaike info criterion	-3.132279	Sum squared resid		0.098111
Schwarz criterion	-2.457730	Log likelihood		130.6298
Hannan-Quinn criter.	-2.864340	F-statistic		33.15321
Durbin-Watson stat	1.468006	Prob(F-statistic)		0.000000

Source: Processed data (2024).

The X1AZ variable shows a probability value of 0.2896 > 0.05, indicating that CSR cannot strengthen the influence of the audit committee on profitability. H3a is rejected. Although the presence of the audit committee can increase transparency and the reliability of financial reports, this does not always translate into effective CSR disclosure. CSR requires long-term commitment and strategy that often do not fall within the main focus of the audit committee, which emphasizes internal control and compliance aspects. Additionally, even though the audit committee can provide good guidance and increase investor confidence, the influence of CSR on profitability depends greatly on how well CSR initiatives are managed and communicated to stakeholders. Without strong CSR management, positive responses from investors may not occur, thus profitability may not increase (K. A. T. Putri & Mardenia, 2019). In other words, the audit committee and CSR need to work synergistically and integrated to provide a significant impact on profitability, which is not yet optimally realized.

The X2Z variable shows a probability value of 0.5745 > 0.05, indicating that CSR cannot moderate the influence of company size on company profitability. H4 is rejected. CSR cannot moderate the influence of company size on profitability because low or inconsistent CSR disclosures do not provide significant added value regardless of the size of the company. This may be due to various factors such as lack of management commitment to social responsibility, higher priority on short-term financial goals, or lack of awareness of the importance of CSR. Without adequate and transparent CSR disclosures, companies cannot fully leverage CSR potential to enhance reputation, attract sustainability-conscious investors, and build customer loyalty (Apridawati & Hermanto, 2020). As a result, even though companies have large sizes, the positive impact of CSR on profitability may not be maximized, thus CSR is not effective in moderating the relationship between company size and profitability.

Based on Table 7, model 3 moderation regression equations are as follows:

$$Y = -9.031019 + 1.609343*X1A + 0.292703*X1B + 0.328025*X2 - 37.85196*Z - 18.13917*X1AZ + 14.12207*X1BZ + 1.013493*X2Z + \varepsilon$$

According to John Neter, Michael Kutner (John Neter, Michael Kutner, 2004), the constant or intercept cannot always be interpreted, especially if there is no theoretical support for the case being studied. The intercept is actually a component that must appear for the slope value to be calculated. If the observational data for the predictor variable (X variable) does not approach a value of 0, researchers need to be careful in interpreting the intercept. Interpreting the intercept without being supported by relevant scientific backgrounds for the case being studied can violate the rules of using regression equations. One of these rules is that regression equations cannot be used to predict the value of the response variable (Y variable) by extrapolation. The constant of -11.84283 (negative) indicates that if there is no audit committee (X1a), independent commissioners (X1b), company size (X2), then profitability is -11.84283%. The negative constant is not an issue and can be ignored as long as the

regression model being tested meets the classical assumptions, so the focus should be on the slope, not the constant (Siregar, 2018). As long as the slope value is not zero, there is no need to pay attention to this negative constant.

The regression coefficient value for the X1a variable is 1.609343, indicating the extent of the contribution given by a variable X to the variable Y (Nurhidayati & Yuliantari, 2018). If the independent variable (X1a) increases by 1 unit, it can increase profitability by 1.609343. Then the other conditions must be 0, so the result will be profitability remains at 1.609343. Conversely, if the independent variable (X1a) decreases by 1 unit, then profitability will decrease by 1.609343. This indicates that the positive sign indicates a positive relationship direction, where an increase or decrease in the independent variables (Audit Committee, Independent Commissioners, and Company Size) can affect an increase or decrease in the dependent variable (Profitability).

The F-Test, or simultaneous test, is used to determine whether the regression model's independent variables collectively influence the dependent variable. If the p-value is less than the significance level ($\alpha = 0.05$), it indicates a significant simultaneous influence within the regression model. Based on the hypothesis test results in Table 9, the F-Statistic Probability is 0.0000. This indicates that the F-Statistic Probability is smaller than alpha ($0.0000 < 0.05$). Thus, it can be concluded that the independent variables (audit committee, independent commissioners, and company size) simultaneously influence the profitability variable.

The coefficient of determination (R^2) is used to measure how well the model explains the dependent variable. The value of R^2 ranges between 0 and 1. A low R^2 indicates a poor fit of the regression line, suggesting the model has limited ability to explain the independent variables' effect on the dependent variable (Widarjono, 2005). According to the hypothesis test results in Table 9, the Adjusted R-Squared value is 0.903099. This means the audit committee, independent commissioners, and company size variables can explain 90% of the profitability variable, with the remaining 10% explained by other variables outside the research model.

The Influence of the Audit Committee on Company Profitability

The research results show that the audit committee positively influences company profitability. This is due to increased efficient supervision, transparency in financial reporting, better risk identification, and enhanced stakeholder trust. These factors contribute to creating a healthier business environment that supports the company's performance and profitability.

Increased Transparency

The audit committee plays a crucial role in enhancing transparency and accountability within a company. By ensuring that financial reports are prepared accurately and honestly, the audit committee can increase the trust of investors and other stakeholders, which in turn can positively impact company profitability. These findings are consistent with research conducted by (Alabdullah & Ahmed, 2020), which states that the audit committee significantly positively affects company profitability. The audit committee plays a significant role in supporting the board of commissioners in overseeing various company activities, especially internal control. With an effective and well-composed audit committee, companies can ensure that their internal control systems function optimally, particularly regarding financial information (Indriani & Nurkholis, 2002). This provides stakeholders with confidence that the company's business practices are transparent and accountable. As a result, unethical practices that could harm the company can be avoided or better managed. Therefore, increasing the number and adequate composition of audit committee members will lead to more efficient oversight, enhancing company profitability by identifying and addressing potential risks and unethical practices more quickly, thus fostering stakeholder trust and supporting sustainable profit growth (Yoza & Syofyan, 2021).

According to the Financial Services Authority (Otoritas Jasa Keuangan, 2015), the audit committee must consist of at least three members, including independent commissioners and external experts. In this study, 82.9% of the 14 pharmaceutical companies from 2018-2022 met the audit committee requirements. This shows that most pharmaceutical companies comply with regulations set by the Financial Services Authority. Compliance with these requirements positively impacts company profitability. Having an audit committee composed of independent and external experts ensures that financial reporting and internal audit processes are more effective. Effective oversight can prevent discrepancies or fraud in financial reports, ultimately increasing investor and stakeholder trust in the company, which in turn enhances company profitability (Prasetyo, 2014). If all the functions carried out by the audit committee operate well, conflicts of interest with principals can be significantly reduced. Thus, the implementation of company policies can become more effective and have a positive impact on company profitability (Taufik & Jonathan, 2021). Consequently, stakeholders will feel more confident, and support for company policies will strengthen. Therefore, optimizing the audit committee's function not only creates a healthier business environment but also positively contributes to the company's overall performance and profitability.

The Influence of Independent Commissioners on Company Profitability

The research results indicate that independent commissioners positively influence company profitability. This is due to increased transparency, accountability, better risk management, and enhanced shareholder trust. These factors help create a healthier environment that supports the company's profitability growth.

Supervision and Control

Independent commissioners are responsible for overseeing company policies and practices, including internal control and risk management. Through strict oversight, independent commissioners can help prevent potential losses and improve operational efficiency, ultimately positively impacting company profitability. These findings align with research conducted by (Nuridah et al., 2023), which states that independent commissioners significantly positively affect company profitability. Independent commissioners maintain a neutral stance towards the decisions made by the company's management, ensuring that the interests of both majority and minority shareholders are not deliberately overlooked. The crucial role of independent commissioners in reducing company risks cannot be ignored, and the company's success in increasing profits is closely related to their ability to manage and mitigate these risks. By operating independently and objectively, independent commissioners can create a more transparent and accountable environment, building shareholder trust and supporting company profitability growth (Sabatini & Nugraheni, 2022).

According to the Financial Services Authority (POJK, 2015), independent commissioners must consist of at least two members. Statistically, this study shows that 81.4% of the 14 pharmaceutical companies from 2018-2022 met the required number of independent commissioners. This indicates that most pharmaceutical companies comply with the regulations regarding the number of independent commissioners. This compliance has a significant impact on company profitability. Independent commissioners play an important role in oversight and providing objective advice to company management, which can improve corporate governance quality. With more effective and independent oversight, the risk of deviations in company management can be minimized (Karunia & Raka, 2021). This contributes to more efficient resource management and better decision-making, ultimately enhancing company profitability. A higher proportion of independent commissioners allows for strict sanctions against employees with declining performance. The crucial role of independent commissioners is a key determinant in the company's success in achieving its goals and improving financial performance. With greater involvement from independent commissioners, companies can enforce strict ethical standards and discipline, which in turn can support increased company profitability (Nuridah et al., 2023). Additionally, independent commissioners are not allowed to receive financial or other benefits from the company for the past three years. This indicates that independent commissioners are external individuals without personal interests within the company, ensuring minimal conflicts of interest in management, thus maintaining the company's independence. Each company organ can perform its functions to achieve the company's goal of making a profit (Satriadi et al., 2018).

The Influence of Company Size on Company Profitability

Research results show that company size positively influences company profitability. This is due to economies of scale: larger companies tend to have larger production scales, allowing them to utilize economies of scale to reduce per-unit production costs. This can increase company profitability because the per-unit cost becomes lower. These findings are consistent with research conducted by (Ahmed & Hamdan, 2015; Naveed & Ramzan, 2013b), which state that company size has a significant positive impact on company profitability. Statistically, it is shown that the size of pharmaceutical companies varies between different companies. Statistically, this study shows that there was an average asset increase of 14.56% annually from 14 pharmaceutical companies from 2018 to 2022. This increase provides a positive indication of these companies' profitability. Consistent asset growth reflects continuous investment in fixed assets and working capital, which in turn can enhance production capacity and operational efficiency. Correspondingly, the majority of pharmaceutical companies, 85.7%, experienced positive profits from 2018 to 2022. This indicates that asset growth significantly contributes to increased profitability. In other words, asset growth has the potential to expand the company's revenue base through product diversification and increased market penetration, thus supporting sustainable profit achievement (Untari, 2019).

A large company size indicates that the company is experiencing good development, thus increasing company profitability (Nainggolan et al., 2022). The more assets a company has, the greater the opportunity to earn higher profits. This is because adequate assets are needed to support all company activities aimed at achieving profits. Companies also require a strong capital structure to support operational activities and create additional profit opportunities. Conversely, companies with smaller scales are limited by their assets and capital, making it difficult to achieve large profits (Husain et al., 2013).

Corporate Social Responsibility Does Not Moderate the Influence of the Audit Committee on Company Profitability

Research results show that CSR cannot positively moderate the influence of the audit committee on company profitability. This is due to the lack of quality in CSR implementation, which should include specific categories and characteristics. Quality of CSR Disclosure: It is important for companies to provide transparent, accurate, and comprehensive CSR disclosures. The information provided should include various CSR programs undertaken, their impact on society and the environment, and the company's efforts to improve social and environmental performance. These results align with research by (Apriliani & Dewayanto, 2018; Epi, 2017), which state that Corporate Social Responsibility (CSR) cannot moderate the influence of the audit committee on company profitability. Statistically, CSR calculations using GRI-G4 show that only 52% of pharmaceutical companies from 2018-2022 were above average in their social responsibility disclosures. This contrasts with the number of audit committees meeting the criteria at 82%.

This data indicates that even though most companies have adequate audit committees, the lack of social responsibility disclosure cannot drive the audit committee's influence to enhance transparency and accountability in increasing company profitability. According to Retnaningsih (2015), CSR programs are an obligation for companies for the benefit of the surrounding community, but in reality, CSR has not been implemented properly. Many CSR programs miss their targets, ultimately leading to conflicts between companies and communities. Essentially, an effective audit committee can enhance oversight and accountability, but this is not always accompanied by adequate CSR disclosure. CSR requires deep commitment and sustainable strategies from companies, often involving significant investment in various social and environmental programs. If companies focus only on fulfilling formalities without genuine commitment to social responsibility, low CSR disclosure will not positively impact the audit committee's influence on profitability (Hasnati, 2022).

Corporate Social Responsibility Moderates the Influence of Independent Commissioners on Company Profitability

Research results show that CSR can moderate the influence of independent commissioners on company profitability. This is because good CSR implementation can enhance the company's reputation in the eyes of stakeholders, including investors and consumers. With a good reputation, the company can gain higher trust from independent commissioners, which can influence their decisions and oversight of the company's performance. Independent commissioners can use information from CSR programs to understand risks and opportunities that may enhance company profitability. This aligns with the research by Purbawangsa et al. (2020), which states that Corporate Social Responsibility (CSR) moderates the influence of independent commissioners on company profitability. CSR is a business practice aimed at considering the social, environmental, and economic impacts of the company's activities, beyond financial profits (Lubis, 2019). Independent commissioners are intended to create a more objective working environment and ensure fairness and equality among different interests, including minority shareholders and other stakeholders (Hasibuan & Sushanty, 2018).

Corporate Social Responsibility (CSR) can strengthen the influence of independent commissioners on company profitability through several mechanisms. Well-managed CSR can enhance the company's reputation, attract investors, and increase customer loyalty, all of which can positively impact profitability. Independent commissioners, who are responsible for ensuring good corporate governance, can use CSR initiatives as strategic tools to identify and manage risks, as well as to open new sustainable market opportunities. For instance, in the annual report of MIKA, independent commissioners are tasked with overseeing the management of CSR programs such as regular and free healthcare services for the surrounding community, scholarship programs with partner health institutions, and vaccination programs from family partners (PT Mitra Keluarga Karyasehat Tbk, 2018).

Corporate Social Responsibility Does Not Moderate the Influence of Company Size on Company Profitability

Research results indicate that CSR cannot moderate the influence of company size on company profitability. This is due to ineffective CSR implementation or poor integration with the company's business strategy. Companies might focus more on internal aspects such as organizational structure and operational efficiency rather than external aspects like social and environmental responsibility. This is consistent with the research by (Apriliani & Dewayanto, 2018; Epi, 2017), which state that Corporate Social Responsibility (CSR) cannot moderate the influence of company size on company profitability. Statistically, CSR levels using GRI-G4 show that only 52% of pharmaceutical companies from 2018-2022 were above average in their social responsibility disclosures. In the same period, there was an average annual asset increase of 14.56% from 14 pharmaceutical companies. Correspondingly, 85.7% of pharmaceutical companies experienced positive profits from 2018-2022.

Nevertheless, this data shows that CSR cannot moderate the influence of company size on profitability. This means that even though companies with larger assets tend to experience profit growth, low CSR disclosure indicates that social responsibility does not significantly strengthen the relationship between company size and profitability. This signifies that CSR efforts need to be enhanced to have a more significant positive impact on the company's financial performance.

Several cases in pharmaceutical companies, such as KAEF in 2019, showed an asset increase of 94%, but CSR disclosure did not align with asset growth, as indicated by a stagnant CSR score that year (PT Kimia Farma Tbk, 2019). Conversely, PEHA in 2021 experienced a 4% asset decrease compared to the previous year, but CSR disclosure increased by 17% (PT Phapros Tbk, 2019). This reinforces the reason why CSR cannot moderate the influence of company size on profitability. This data indicates that even with significant asset growth or decline, CSR disclosure does not always correlate with changes in company size. Therefore, company size does not automatically strengthen or weaken the impact of CSR on profitability, suggesting that other factors might be more dominant in influencing this relationship.

This study has several limitations that need to be acknowledged to understand the constraints on interpreting the results and generalizing the findings. One significant limitation is the limited data. By involving only 15 companies listed on the Indonesia Stock Exchange, generalizing the findings can be challenging, as this sample may not encompass sufficient diversity across various industrial sectors or company characteristics. Additionally, the short time span from 2018 to 2022 may limit the understanding of long-term trends or the broader impact of economic changes on the variables studied. Market fluctuations or significant regulatory changes outside the research period may not be well represented in the results, making strong generalizations difficult.

The study may also be influenced by changes in economic conditions or policies that may occur during this time frame. For example, significant changes in investment climate or government policies can affect the results and relevance of the research findings to broader market conditions. To improve the validity and generalizability of the findings, future research could consider using a larger sample, involving companies from various industrial sectors, and extending the research period. Additionally, considering additional variables and subgroup analysis could provide deeper insights into the relationships studied. Suggestions for future research are expected to be able to measure CSR more comprehensively: Expanding and selecting CSR indicators that are more holistic and in-depth can increase understanding of how CSR influences the relationship between corporate governance, company size and profitability. For example, considering more specific environmental, social and governance aspects.

Conclusions

The dynamics of corporate governance, company size, and corporate social responsibility (CSR) intertwine in shaping company profitability. Firstly, the audit committee plays a crucial role, exerting a significant and positive influence on profitability by ensuring efficient oversight. Increasing the number and quality of audit committee members enhances this effect, thereby bolstering the company's bottom line. Secondly, independent commissioners contribute positively to profitability by upholding stringent ethical standards and discipline within the company. Their involvement fosters an environment conducive to profit generation. Additionally, the size of the company itself correlates positively with profitability, as larger assets translate to greater profit opportunities. However, while CSR can enhance the impact of independent commissioners on profitability, it does not similarly moderate the influence of the audit committee or company size. Effective CSR management enhances the company's reputation, attracts investors, and fosters customer loyalty, thus indirectly impacting profitability. Nonetheless, low CSR disclosure suggests that it does not significantly strengthen the relationship between company size and profitability. These findings underscore the intricate interplay between corporate governance, CSR, and company size in driving profitability, highlighting areas where strategic focus can maximize financial outcomes.

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