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THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY, INTELLECTUAL CAPITAL, AND EARNINGS MANAGEMENT IN SHAPING FINANCIAL PERFORMANCE: EVIDENCE FROM INDONESIAN CONSUMER NON-CYCLICALS FIRMS

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Abstract

This research aims to explore how Corporate Social Responsibility, Intellectual Capital, and Earnings Management influence the financial performance of companies in the non-cyclical consumer sector that are listed on the Indonesia Stock Exchange from 2020 to 2024. Using a quantitative approach and panel data regression analysis, this study analyzes secondary data that has been selected through purposive sampling, emphasizing the completeness of financial reports and sustainability. Financial performance is measured by Return on Assets, CSR is evaluated through a disclosure index aligned with the Global Reporting Initiative (GRI), IC is assessed using the Value Added Intellectual Coefficient (VAIC), and EM is represented by discretionary accruals. The results indicate that Intellectual Capital has a positive and significant effect, while CSR and Earnings Management do not appear to influence financial performance. These findings highlight that the benefits derived from knowledge and the management of intangible assets are primary drivers of improved financial performance, surpassing the impact of social responsibility initiatives and earnings management, which predominantly focus on short-term results. This study contributes strategically to the understanding of the importance of transitioning to a knowledge-based economy in enhancing corporate competitiveness.

Keywords: CSR, Intellectual Capital, Earnings Management, Financial Performance

INTRODUCTION

The increasingly complex global business environment is driving companies to focus not only on financial performance but also on sustainability and the management of intangible resources. Financial performance remains the primary indicator for evaluating a company's success in creating value for stakeholders. However, the determinants of financial performance have evolved to include non-financial factors such as social responsibility, innovation, and the quality of governance. This transformation reflects a shift toward a knowledge-based economy, where competitive advantage is no longer determined solely by tangible assets but by a company's ability to manage its strategic resources (Buallay, 2022); (Xu & Liu, 2021).

The consumer non-cyclicals sector in Indonesia serves as a relevant research context because it exhibits relatively stable demand characteristics, even under conditions of economic uncertainty. This stability allows for more accurate testing of factors influencing financial performance without distortion from extreme economic cycles. Furthermore, this sector faces pressure to maintain a balance between operational efficiency and social responsibility, thereby providing an appropriate framework for simultaneously examining the roles of Corporate Social Responsibility, Intellectual Capital, and Earnings Management (Velte, 2022).

CSR has become an integral part of corporate strategy in building legitimacy and enhancing stakeholder trust. Theoretically, CSR can improve financial performance by enhancing reputation and customer loyalty. However, empirical evidence shows mixed results. Some studies have found a positive relationship between CSR and financial performance, while others indicate that the effect is insignificant or even short-lived (Velte, 2022). Previous studies, such as those by (Agustin & Rosdiana, 2022); (Sa'adah & Sudiarto, 2022), state that CSR has a significant impact on financial performance; however, this differs from the findings of (Hidayah, 2022), who state that CSR does not influence financial performance. This indicates that the effectiveness of CSR is highly dependent on the quality of its implementation and its integration into the company's business strategy.

IC is increasingly recognized as a key factor in creating sustainable competitive advantage. IC encompasses human capital, structural capital, and relational capital, which collectively contribute to the creation of corporate value. Recent research indicates that companies with effective IC management tend to exhibit higher financial performance due to their ability to enhance efficiency, innovation, and competitiveness (Xu & Liu, 2021); (Buallay, 2022). In the context of the modern economy, IC is even viewed as a strategic asset more critical than physical assets. Research conducted by (Rahmadi & Mutasowifin, 2021) states that Intellectual Capital has a positive and significant influence on financial performance. However, this differs from the research conducted by (Wulandari & Purbawati, 2019), which found that Intellectual Capital does not affect financial performance.

Earnings Management reflects managers' opportunistic behavior in exploiting accounting flexibility to manipulate earnings (Mohammad & Alrjoub, 2021). This practice is often associated with agency conflicts and information asymmetry between management and owners. Although EM can provide short-term benefits in the form of improved reported financial performance, this practice has the potential to lower earnings quality and undermine investor confidence in the long term (Adryanti, 2019) noted that earnings management did not have a significant impact on financial performance due to the pandemic and lockdowns. (Chakroun & Amar, 2021) state that managing earnings has a considerable adverse effect on financial performance, as measured by ROE, ROA, and Tobin's Q. Therefore, it is important to test whether earnings management truly contributes to financial performance or merely creates an illusion of performance.

Although numerous studies have examined the effects of Corporate Social Responsibility, Intellectual Capital, and Earnings Management on financial performance, several research gaps remain unaddressed. Previous studies generally tested the effects of CSR, IC, and EM in isolation, thus failing to provide a complete picture of the interactions and relative strengths of these three variables within a single integrated empirical model. In business practice, however, these three aspects overlap in influencing corporate performance. Research findings regarding the impact of CSR on financial performance still exhibit empirical inconsistencies. Some studies have found a positive relationship, while others indicate no significant effect. This suggests differences in context, industry sector, or research period that have not been adequately explained. While Intellectual Capital has been widely recognized as a key determinant of corporate performance in a knowledge-based economy, there remains a lack of research directly comparing the strength of IC's influence with other variables such as CSR and Earnings Management within a single analytical framework. Research on earnings management tends to focus on its impact on profit quality rather than its implications for actual financial performance, leaving a gap to test whether this practice truly has a significant impact on corporate performance.

Considering these gaps and phenomena, this research seeks to address this issue by exploring the impact of Intellectual Capital and Earnings Management on financial performance, while also identifying the variables that have the most significant influence within emerging markets. The study is anticipated to enhance the understanding of the factors affecting financial performance in these markets. It offers noteworthy contributions in both theoretical and practical aspects. Theoretically, the research combines stakeholder theory and agency theory into a unified analytical

framework to elucidate the connections among CSR, IC, EM, and financial performance. This methodology enriches the existing literature by supplying empirical data on the relative importance of each variable within a comprehensive model (Freeman & Phillips, 2020). From a practical standpoint, the research offers insights for corporate management, enabling them to create more effective strategies, especially by emphasizing the management of intellectual capital as the key source of competitive advantage.

The originality of this research is found in its examination of the comparative effects of intangible assets and management practices on financial performance, a subject that has been relatively overlooked in existing literature. Consequently, this research provides a fresh viewpoint on the key factors that influence financial performance in the era of the knowledge-based economy (Xu & Liu, 2021); (Velte, 2022).

The implications of this study emphasize the importance of shifting corporate strategy toward the management of knowledge-based resources. Companies are advised to strategically integrate CSR to provide tangible added value, as well as to increase investment in intellectual capital through human resource development and innovation. Furthermore, earnings management practices should be minimized as they do not contribute significantly to performance and have the potential to undermine the company's credibility in the eyes of investors (Enomoto et al., 2021)..

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Stakeholder Theory

Stakeholder theory posits that businesses should consider the interests of different stakeholders. CSR and Intellectual Capital are tools that enhance relationships with stakeholders and boost corporate performance (Schaltegger et al., 2019). By disclosing their CSR efforts, companies aim to fulfill the social and environmental expectations set by the public and regulatory bodies. Effective execution of CSR not only increases a company's legitimacy but also builds trust among stakeholders, ultimately enhancing its reputation and overall performance. Therefore, CSR acts as a strategic tool to foster positive relationships with stakeholders in line with Stakeholder Theory principles. Proficient management of intellectual capital shows a company's capability to address the needs and expectations of both internal and external stakeholders, such as enhancing the quality of products and services. Consequently, superior management of intellectual capital leads to a greater ability for the company to generate value for stakeholders, influencing its financial performance. Strong financial results indicate a company's effectiveness in resource management and meeting stakeholder expectations. Organizations that cultivate positive relationships with stakeholders through CSR initiatives, effective intellectual capital management, and transparent financial reporting are more likely to attain optimal financial outcomes.

Agency Theory

From the perspective of Agency Theory, the relationship between owners (principals) and managers (agents) is often characterized by conflicts of interest resulting from information asymmetry. As the party managing the company, managers have greater access to information than owners, creating the potential for them to act opportunistically to maximize their personal interests. In the context of this study, earnings management practices are a direct manifestation of agency conflict, where managers can manipulate financial statements to achieve specific targets, such as bonuses or performance evaluations, which ultimately may mislead stakeholders and undermine the quality of earnings (Enomoto et al., 2015). Furthermore, Corporate Social Responsibility within the agency theory framework can be viewed as a mechanism to reduce conflicts by enhancing corporate transparency and accountability toward stakeholders, although in some cases CSR may also be used as a tool for legitimizing managers' opportunistic behavior. Meanwhile, Intellectual Capital plays a role in mitigating agency problems by enhancing organizational efficiency, improving information systems, and developing human resource competencies that can narrow the information gap between managers and owners. Thus, effective IC management can curb the potential for

opportunistic behavior and improve the quality of decision-making. Ultimately, the interaction between CSR, IC, and earnings management from an agency theory perspective will influence a company's financial performance, where good governance practices and minimal agency conflicts tend to yield more optimal performance.

Financial Performance

Financial performance serves as an important measure for evaluating how well a company uses its resources to make profits and deliver value to its stakeholders. Financial performance shows how well a company meets its economic goals by being efficient in its operations, making a profit, and maintaining a sustainable business. One of the most widely used measures is Return on Assets, which shows how well a company can make a profit using its total assets. From the viewpoint of modern financial theory, a company's financial performance is affected by both internal factors like efficiency and capital structure, as well as external and non-financial elements such as sustainability practices, corporate governance, and how intangible assets are managed. Companies that perform well financially often have better management systems, greater transparency, and a stronger capacity to adjust to changes in their business environment (Buallay et al., 2020); (Xu & Liu, 2021). Financial performance is an important indicator for investors when deciding where to invest, as it shows the level of risk involved and the possible returns that can be expected. Therefore, analyzing financial performance serves both as a way for a company to assess its own situation internally and as a method to share economic information with those who have an interest in the company, thus helping to build market confidence and improve the company's competitive position (Velte, 2022).

Corporate Social Responsibility

Corporate Social Responsibility refers to the idea that a company has a duty to consider the needs of all those affected by its operations, including shareholders, employees, customers, and the broader community, as well as the environment. From the viewpoint of stakeholder theory, corporate social responsibility is seen as a strategic means to establish and maintain credibility, as well as to foster better relationships with stakeholders by following ethical and sustainable business practices. Corporate social responsibility involves a range of actions aimed at protecting the environment, supporting the community, and enhancing the well-being of employees. CSR is not just a moral duty but also a strategic approach that can improve a company's reputation, gain investor trust, and strengthen its long-term ability to compete in the market. Studies show that businesses which regularly share and put into action their corporate social responsibility efforts often see increased overall value and improved performance, though these benefits usually come over time and aren't immediately obvious (Velte, 2022); (Buallay et al., 2020). High-quality CSR disclosure helps reduce the gap in information between companies and their stakeholders, which in turn improves transparency and ensures greater accountability.

Earnings Management

Earnings management is a practice in which managers use specific accounting policies to influence financial statements so that they reflect the desired performance. From an agency theory perspective, earnings management arises due to conflicts of interest between managers (as agents) and owners (as principals), as well as information asymmetry that provides managers with opportunities to act opportunistically. This practice can be carried out through accrual manipulation (accrual earnings management) or real earnings management, with objectives such as meeting profit targets, maintaining performance stability, or maximizing managerial compensation. Although earnings management can provide short-term benefits in improving the perception of a company's performance, this practice has the potential to lower the quality of earnings and reduce the credibility of financial statements in the eyes of investors. Empirical research indicates that high levels of earnings management are associated with low transparency and poor financial reporting quality, which can ultimately have a negative impact on market confidence and corporate performance (Adryanti, 2019). Therefore, earnings management is a critical issue in financial accounting as it is closely tied to the quality of information used in economic decision-making.

Hypothesis Development

Corporate Social Responsibility is considered a strategic approach that companies use to establish credibility and foster better connections with the various parties that have an interest in their operations. According to stakeholder theory, companies that openly share information about their corporate social responsibility efforts are more likely to gain the trust of investors and the public, which can lead to improved financial performance. Empirical studies indicate that corporate social responsibility can generate additional value by improving the company's reputation and fostering greater customer loyalty. However, some research has also indicated that the effect of CSR on financial performance is not always clear, especially in the short term, since its advantages tend to be long lasting and rely on how effectively it is carried out. (Velte, 2022); (Buallay et al., 2020). Thus, the impact of CSR on financial performance still needs to be re-examined in different contexts. Based on this argument, the proposed hypothesis is:

H1: Corporate Social Responsibility influences financial performance

Intellectual Capital refers to an intangible asset that demonstrates a company's capability in managing knowledge, fostering innovation, and utilizing the skills and expertise of its human resources. Within the resource-based view framework, intellectual capital functions as a source of sustainable competitive advantage because it is challenging for competitors to replicate. Recent studies show that businesses which manage internal control effectively tend to achieve better financial results because they are better at improving their operations and fostering innovation (Liu et al., 2021). Furthermore, IC plays a role in creating sustainable value for the company. Therefore, the proposed hypothesis is:

H2: Intellectual Capital has a positive effect on financial performance

Earnings management refers to the process where managers adjust financial statements to meet certain goals, typically influenced by conflicts of interest between different parties and the unequal distribution of information. From an agency theory perspective, this practice can create an image of performance that does not accurately represent the true economic situation. Research shows that earnings management can decrease the quality of earnings and lower investor confidence, which may lead to a negative effect on a company's long-term performance (Acuña-opazo & Gonzalez, 2021). However, in some cases, earnings management does not show a significant impact on financial performance because it merely affects accounting figures without altering the company's actual performance. Therefore, the hypothesis proposed is:

H3: Earnings management affects financial performance

Based on the theory and hypothesis development outlined above, the research framework is presented in the following figure:

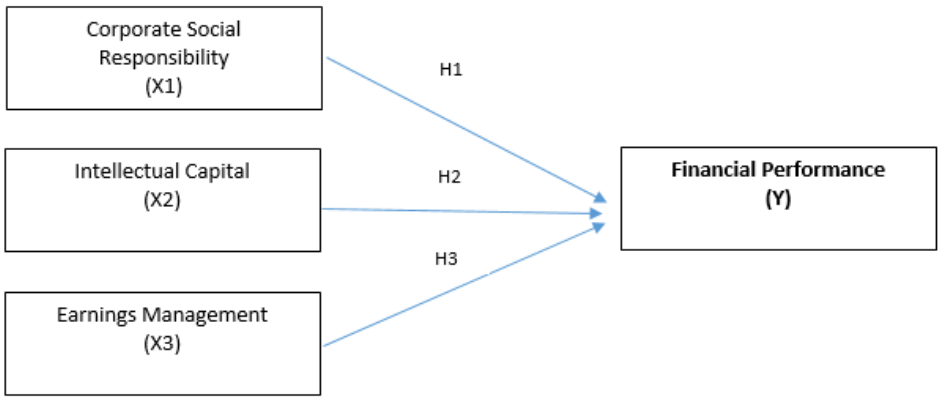


Figure 1. Research Framework

RESEARCH METHODS

This study uses a quantitative and associative method to analyze how corporate social responsibility, intellectual capital, and earnings management affect financial performance in companies operating in the consumer non-cyclical sector that are listed on the Indonesia Stock Exchange (IDX), covering the period from 2020 to 2024. This study utilizes secondary data gathered from annual reports and sustainability reports found on the official IDX website, www.idx.co.id, along with information sourced from the websites of the companies that were analyzed. The company's performance is the dependent variable, and corporate social responsibility, intellectual capital, and earnings management are the independent variables. The operational definitions for these variables are presented in the table below:

Table 1. Measurement Variable

Variable	Definition	Indikator	Measurment	Source
Financial Performance (Y)	A company's ability to generate profits from the management of its resources	Return on Assets	ROA = $\frac{LNet\ Income}{Total\ Assets}$	(Avilya & Ghozali, 2022)
Corporate Social Responsibility (X_1)	The company's commitment to fulfilling its social and environmental responsibilities and disclosing them in its corporate reports	Economy, Environment, Society (GRI)	CSRDij = $\sum \frac{Xij}{Nij}$	(Qomariyah & Fitriana, 2024)
Intellectual Capital (X2)	Knowledge-based intangible assets that create value for the company	VAHU (Human Capital), STVA (Structural Capital), VACA (Capital Employed)	VAIC = VAHU + STVA + VACA	(Wulandari & Purbawati, 2019)
Manajemen Laba (X_3)	Managers' actions in manipulating financial statements through accrual policies	Discretionary Accrual	DA = (TAC/Ait-1) – NDA	(Chofifah & Parasetya, 2024)

Data collection in this study was conducted through documentation, specifically by gathering financial reports and sustainability reports published by the companies under study. The collected information was then analyzed using panel data regression to evaluate the relationships among the study variables. This analysis was performed using Eviews 13 software, and the data analysis techniques employed included: descriptive statistics to describe data characteristics, panel data regression model estimation, classical assumption tests, panel data regression analysis, model fit tests, the coefficient of determination, and t-tests. The sample was selected using purposive sampling with specific criteria, as presented in the following table:

Table 2. Population and Sample

Keterangan	Jumlah
Non-cyclical consumer sector companies listed on the Indonesia Stock Exchange from 2020 to 2024	132
Non-cyclical consumer sector companies did not publish financial reports for the years 2020–2024	-18
Non-cyclical consumer sector companies did not report a profit for the 2020–2024 period	-69
Non-cyclical consumer sector companies did not publish sustainability reports from 2020 to 2024	-27
Number of companies in the sample (i)	18
Observation period (t)	5

Total data observations (i * t)	90

Source: Processed by Researchers, 2026

RESULTS AND DISCUSSION

Descriptive statistics offer a summary of how the research variables are distributed and what characteristics they possess, such as financial performance measured by Return on Assets (ROA), Corporate Social Responsibility (CSR), Intellectual Capital (IC), and Earnings Management (EM). The descriptive statistics in Table 3 provide a summary of these data.

Table 3. Summary Deskriptif Statistic

Variable	Mean	Min	Max	Std. Dev
ROA	9.675	0.309	34.885	7.731
CSR	0.540	0.213	0.915	0.175
IC	4.768	1.811	13.075	2.529
EM	0.0000322	-0.205	0.313	0.077

Source: EViews 13 Output (Processed by researches, 2026)

Based on the processed data, the mean ROA of 9.675% indicates that, on average, companies in this sector are able to generate a profit of 9.675 for every 100 units of assets they hold. This means that the companies' profitability is relatively strong, given that the non-cyclical consumer goods sector is known for its stability due to its focus on basic necessities. This figure also indicates that the majority of companies are able to manage their assets efficiently to generate profits, although there is considerable variation.

The average CSR value of 0.540 indicates that, in general, companies disclose approximately 54% of the total CSR items that should be disclosed based on the GRI index. This suggests that the level of CSR disclosure falls into the moderate category, meaning companies have begun to prioritize social responsibility but have not yet achieved optimal or fully comprehensive reporting.

The mean IC value of 4.768 indicates that, on average, companies have a fairly strong ability to create added value through the management of intangible assets (such as knowledge, human resources, and organizational systems). This value suggests that the non-cyclical consumer sector relies significantly on intellectual capital as a source of competitive advantage, although there are differences in companies' capabilities regarding IC management.

The very small average EM value, which is 0.0000322, indicates that, in general, earnings management practices among the sample companies are relatively low or insignificant in aggregate. This suggests that companies tend not to engage in extreme earnings manipulation, or that the earnings management practices employed are balanced

Model Selection

Panel data regression models were selected using the Chow test, the Hausman test, and the LM test. The results of these tests are presented in Table 4 below:

Tabel 4. Model Selection

Test	p	Result	Decision
Chow Test	Cross-section F = 0.0000	p < 0.05	FEM
Hausman Test	Cross-section random = 0.3215	p > 0.05	REM
LM Test	Breusch-pagan both = 0.0000	p < 0.05	REM

Source: EViews 13 Output (Processed by Researchers, 2026)

The Chow test results indicate that the probability value of the F-statistic is 0.0000, which is below 0.05. This suggests that the Fixed Effects Model (FEM) is more suitable than the Common Effects Model (CEM). The results of the Hausman test indicate that the probability of cross-sectional randomness is 0.3215, which is higher than 0.05, suggesting that the Random Effects Model (REM) is a more suitable estimation method than the Fixed Effects Model (FEM). The

Lagrange Multiplier test indicates that the Breusch-Pagan probability values, which are below 0.05, suggest that the Random Effects Model (REM) is a more suitable estimation method compared to the Combined Effects Model (CEM). It can be concluded that the most suitable model for testing the hypotheses of this study is the Random Effect Model.

Classical assumptions

A good regression model must satisfy the Best Linear Unbiazed Estimator (BLUE) criterion; therefore, the classical assumption tests conducted include tests for normality, multicollinearity, and autocorrelation. The results of the classical assumption tests are presented in the following table:

Tabel 5. Classical Assumption Test

Test	Result	Conclusion
Normality test, (p jarque bera > 0.05)	Prob. jarque bera = 0.083	normally distributed data
Autocorrelation Test (-2 < DW < 2)	DW = 1.265	Free from autocorrelation problem
Multicollinearity test (VIF < 10)	CSR = 1.0676 IC = 1.0006 EM = 1.0681	There is no multicollinearity

Source: EViews 13 Output (Processed by Researchers, 2026)

Panel Data Regression

The random effect model output is shown in Table 6. The regression model formed is:
Y = -0.998602 + 2.971849CSR + 1.902046IC + 7.622804EM

Tabel 6. Random Efect Model

Variable	Coefficient	Prob.
C	-0.9986	0.6858
CSR	2.9718	0.2437
IC	1.9020	0.0000
EM	7.6228	0.1538
Adj R^2 = 0.42		
F-statistic = 22.83 (p= 0.0000 < 0.05)		

Source: EViews 13 Output (Processed by Researchers, 2026)

The consistent value calculated is -0.998602, indicating that when the variable equals zero, the corresponding financial performance value is -0.9986. The regression coefficient for Corporate Social Responsibility is 2.9718, indicating that a one-unit increase in CSR is associated with an increase of 2.9718 units in financial performance. The regression coefficient for Intellectual Capital is 1.9020, which indicates that an increase of 1 unit in Intellectual Capital leads to an increase of 1.9020 units in financial performance. The regression coefficient for Earnings Management is 7.6228, which indicates that a one-unit increase in Earnings Management leads to an increase in financial performance by 7.6228 units.

Table 6 shows the outcomes of the hypothesis tests: The p-value for corporate social responsibility (X1) is 0.2437, which is greater than 0.05. This suggests that corporate social responsibility does not have a significant effect. Financial performance; therefore, H1 is not supported. The p-value for intellectual capital (X2) is 0.0000, which is less than 0.05, showing that intellectual capital has an impact on financial performance. Therefore, the hypothesis H2 is accepted. The p-value associated with earnings management (X3) is 0.1538, which is greater than 0.05. This suggests that earnings management does not have a significant effect on financial performance, and therefore, hypothesis H3 is not supported.

The adjusted R^2 value of 0.42, which is equivalent to 42%, shows that the independent variables in this study explain 42% of the variation in the dependent variable. The remaining 58% of the variation is due to other factors that were not included in the research model.

These additional factors also encompass corporate governance, the size of the company, its market value, and how well it performs in terms of environmental impact. The F-test results indicate an F-probability value of 0.0000, which is less than 0.05. This suggests that the regression model employed in this study is appropriate for use as a predictive tool.

Discussion

The t-test results show a probability value of 0.2437, which is higher than 0.05, leading to the rejection of the alternative hypothesis. This suggests that Corporate Social Responsibility has no impact on financial performance. The results indicate that the company's disclosure of corporate social responsibility has not significantly enhanced its financial performance throughout the period under review. Corporate Social Responsibility (CSR) is more effective as a long-term strategy for enhancing reputation, establishing legitimacy, and gaining the trust of stakeholders, rather than being focused on boosting short-term financial results. Furthermore, CSR activities often emphasize social and environmental aspects, and the economic benefits from these initiatives are not typically captured in financial performance indicators such as Return on Assets. Therefore, the limited impact of CSR in this study might be due to the indirect effects of CSR, which take time to show up in the company's overall performance.

Based on the t-test results, the probability value of 0.0000 is less than 0.05, which means that the null hypothesis H2 is accepted. This suggests that Intellectual Capital has a positive and significant impact on financial performance. These results indicate that a company's capacity to handle non-physical resources like employee skills, internal processes, and knowledge and innovation plays a significant role in increasing its profit levels. Intellectual Capital contributes to generating additional value by enhancing operational efficiency, boosting productivity, and improving the quality of decisions made by managers. Companies that are able to effectively manage and improve their intellectual capital usually have a lasting edge over their competitors, which helps them achieve stronger financial results. From the viewpoint of Stakeholder Theory, managing Intellectual Capital effectively helps companies fulfill the expectations of stakeholders, especially employees and investors, by enhancing operational performance and generating economic value. Therefore, when a company is more effective in managing its intellectual capital, it tends to have a stronger positive impact on its financial performance.

Based on the results of the t-test, a probability value of 0.1538 > 0.05 was obtained, so H3 is rejected. This indicates that, in part, earnings management does not have a significant effect on financial performance. This finding suggests that earnings management practices are unable to tangibly improve financial performance, as they focus more on adjusting accounting figures than on improving the company’s operational performance. From an Agency Theory perspective, earnings management is a consequence of the conflict of interest between managers as agents and owners as principals, driven by information asymmetry. This practice is generally carried out to achieve short-term goals, such as meeting profit targets or contractual obligations, without being accompanied by an actual improvement in economic performance. Therefore, although earnings management can influence reported profits, its impact is not reflected in financial performance indicators based on actual performance, such as Return on Assets. The insignificance of this effect suggests that the market or stakeholders tend not to fully respond to earnings management practices as an indicator of improved corporate performance. This indicates that the quality of financial information and transparency are valued more highly than accounting manipulation. Thus, earnings management practices do not contribute significantly to improved financial performance but may potentially undermine the company’s credibility

CONCLUSION

This research seeks to investigate how Corporate Social Responsibility, Intellectual Capital, and Earnings Management affect the financial performance of companies in the non-cyclical

consumer sector between the years 2020 and 2024. The research findings show that Intellectual Capital has a clear and positive effect on financial performance, but Corporate Social Responsibility and Earnings Management do not have a significant impact. These findings confirm that the management of intangible assets, especially intellectual capital, is the primary factor in enhancing a company's financial performance, as opposed to long-term CSR activities and earnings management, which do not accurately represent actual economic performance.

The real-world impact of this research suggests that businesses should focus on effectively managing their intellectual capital as a key approach to improving their financial results. Investing in the growth of human resources, encouraging innovation, and establishing efficient organizational systems has been shown to generate lasting value. In addition, companies are encouraged to incorporate Corporate Social Responsibility initiatives in a more strategic manner rather than just as a way to meet legal requirements, allowing them to achieve a more significant economic benefit over time. On the other hand, earnings management practices should be minimized because they have not been shown to significantly improve financial performance and can harm the company's reputation among stakeholders.

This research has several limitations that need to be considered. First, the research only uses the variables of CSR, Intellectual Capital, and Earnings Management without considering other variables that may also affect financial performance, such as company size, leverage, and corporate governance. Second, the research period is limited to 2020–2024, thus it has not yet been able to capture long-term dynamics comprehensively. Third, the measurement of CSR uses a quantitative disclosure index, which does not fully reflect the quality of CSR implementation. Fourth, the measurement of earnings management uses an accrual approach that has limitations in comprehensively detecting earnings manipulation practices. Based on these limitations, future research is advised to include other relevant variables, such as corporate governance mechanisms, company size, and capital structure, in order to obtain a more comprehensive model in explaining financial performance. Additionally, future research could extend the observation period and broaden the industry sectors to make the research findings more generalizable. The use of more qualitative CSR measurement methods or ESG score-based approaches can also be considered to capture the quality of implementation in greater depth. Lastly, future research is advised to use alternative approaches in measuring earnings management, such as real earnings management, to provide a more comprehensive picture of managerial opportunistic behavior.

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