
**THE EFFECT OF CREDIT RISK, CORPORATE SOCIAL RESPONSIBILITY (CSR),
COMPANY AGE AND QUALITY AWARDS ON COMPANY FINANCIAL
PERFORMANCE
(Survey Of Financial Sector Companies Listed On The Indonesia Stock Exchange (Idx)
In The Period 2020–2024)**

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ABSTRACT

The financial performance of companies in the financial sector is a key indicator of management effectiveness in managing resources and ensuring business sustainability, particularly during the period of economic uncertainty from 2020 to 2024. Financial performance is influenced by various factors, including credit risk, corporate social responsibility, firm characteristics, and reputation as reflected through quality awards. This study aims to analyze the effect of credit risk, corporate social responsibility (CSR), firm age, and quality awards on the financial performance of financial sector companies listed on the Indonesia Stock Exchange (IDX). This study employs a quantitative approach using panel data regression. The research sample was selected through purposive sampling of financial sector companies during the 2020–2024 period. Financial performance is proxied by Return on Assets (ROA), credit risk is measured using Loan Loss Provision (LLP), CSR is measured based on the International Standards GRI social indicators, firm age is measured by the length of time the company has been established, and quality awards are measured by the number of awards received. The results indicate that credit risk and firm age have a negative and significant effect on financial performance, CSR has no significant effect, while quality awards have a positive and significant effect on financial performance. This study provides a theoretical contribution by enriching the literature on financial performance determinants in the financial sector and offers practical implications for management, investors, and regulators in strategic decision-making.

Keywords: credit risk, corporate social responsibility, firm age, quality awards

INTRODUCTION

The company's financial performance is a reflection of management's success in managing resources effectively to generate profits and maintain business sustainability. (da Cunha et al., 2025) The profitability of Indonesian banking and non-banking sectors experienced significant pressure throughout 2020. According to data from the Financial Services Authority (OJK), profitability in Indonesian banking and non-banking sectors experienced significant pressure

throughout 2020, with a volatile pattern that led to a decline. Return on Assets (ROA) fluctuated, starting at 2.70% in January, then plummeting to 2.21% in March, before recovering slightly to 2.27% in July. However, ROA reached its lowest point of 1.59% in December, with a consistent downward trend since September at 2.08%. This phenomenon indicates the systemic vulnerability of profitability stability in Indonesian banking and non-banking sectors. (Financial Services Authority, 2020).

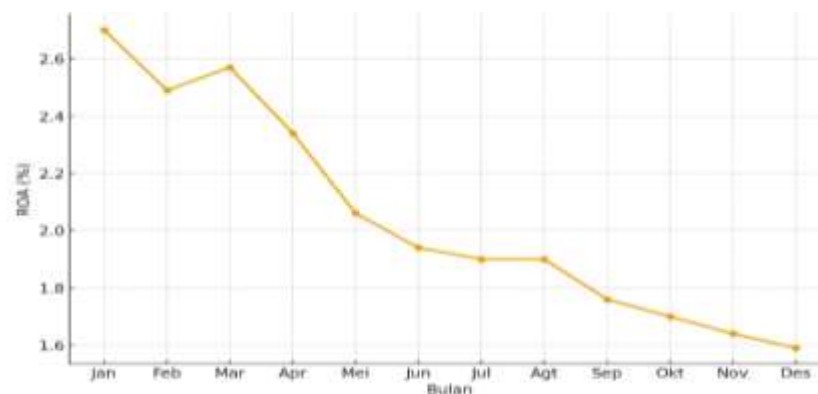


Figure 1.1 Fluctuations in Indonesia's Financial Performance in 2020

Source: (Financial Services Authority, 2020)

Various factors are believed to have an important influence on the financial performance of companies in the financial sector, one of which is Credit Risk. (Azura et al., 2023) Credit risk is the main risk faced by financial institutions because it is directly related to the debtor's ability to fulfill their obligations. (Bhatt et al., 2023). Increased credit risk depresses a company's profitability due to the high potential for losses, which ultimately negatively impacts financial performance. Therefore, credit risk is a highly relevant variable for further research. (Haris et al., 2024).

In a broader context, credit risk also has implications for the stability of the financial sector as a whole. (Duygun et al., 2020) Credit risk is one of the main factors that determines the health level of banks and financial institutions, because failure to manage this risk can trigger an increase in non-performing loans and disrupt the intermediation function. (Goswami, 2022; Naili & Lahrichi, 2022). Measurement through Loan Loss Provision (LLP) is important because it reflects management's policy in anticipating potential losses due to default. (Ali Saleh Al-magharem et al., 2019). Analysis of LLP allows researchers to understand the extent to

which companies establish credit loss reserves as a risk mitigation measure, thus not only impacting the financial performance of individual companies but also contributing to maintaining the stability of the financial system more broadly. (Olayinka Abiola-Adams et al., 2021; Riahi, 2019).

The next factor is Corporate Social Responsibility (CSR). CSR has now become a crucial part of a company's strategy to build its reputation and gain legitimacy from stakeholders. (Pfajfar et al., 2022) Companies that actively implement and report on CSR activities are often seen as more credible and long-term oriented, thereby increasing public trust and supporting their financial performance. (Oduro et al., 2025). Namun, hasil penelitian sebelumnya masih menunjukkan temuan yang beragam, baik yang mendukung adanya pengaruh positif maupun yang tidak signifikan, sehingga penting untuk dikaji kembali dalam konteks Indonesia (Meviani & Syafruddin, 2024). Driastuti et al. (2024) justru menunjukkan bahwa hanya aspek environmental disclosure yang signifikan, meskipun negatif, sementara aspek sosial dan governance tidak signifikan. Keragaman hasil ini mengindikasikan bahwa hubungan

CSR-kinerja keuangan sangat dipengaruhi oleh konteks sektor, wilayah geografis, dan metode pengukuran CSR.

Dalam perspektif regulasi dan reputasi, praktik CSR tidak lagi bersifat sukarela semata, melainkan semakin dipengaruhi oleh tuntutan standar internasional dan kebijakan nasional (Jackson et al., 2020). Pengungkapan CSR berbasis Global Reporting Initiative (GRI) telah menjadi standar pelaporan keberlanjutan yang diakui secara global, sehingga mendorong perusahaan untuk menyajikan informasi yang lebih transparan, terukur, dan dapat dibandingkan (de Villiers et al., 2022). Di Indonesia, kewajiban penerapan prinsip keberlanjutan bagi lembaga jasa keuangan diperkuat melalui regulasi Otoritas Jasa Keuangan, khususnya dalam POJK No. 51/POJK.03/2017 tentang Penerapan Keuangan Berkelanjutan bagi Lembaga Jasa Keuangan, Emiten, dan Perusahaan Publik. Regulasi ini mewajibkan penyampaian laporan keberlanjutan sebagai bentuk akuntabilitas dan transparansi kepada publik (Otoritas Jasa Keuangan, 2017). Dengan demikian, pengungkapan CSR tidak hanya berfungsi sebagai strategi reputasi, tetapi juga sebagai bentuk kepatuhan terhadap regulasi yang dapat memperkuat legitimasi perusahaan serta berpotensi memengaruhi kinerja keuangan melalui peningkatan kepercayaan investor dan pemangku kepentingan (R. Xu et al., 2023; Yassin & Beckmann, 2025).

Selain itu, Age atau umur perusahaan juga diyakini memengaruhi kinerja keuangan. Perusahaan yang telah lama berdiri biasanya memiliki

pengalaman lebih matang dalam menghadapi dinamika pasar, struktur organisasi yang lebih mapan, serta basis pelanggan yang lebih luas (Rossi, 2016). Sebaliknya, perusahaan yang masih relatif muda dapat menghadapi keterbatasan pengalaman dan sumber daya (S. Chen & Shen, 2023). Perbedaan karakteristik ini membuat umur perusahaan menjadi faktor yang menarik untuk dianalisis dalam hubungannya dengan kinerja keuangan.

Lebih lanjut, umur perusahaan juga berkaitan dengan perbedaan dalam pengalaman manajerial, sistem manajemen risiko, serta reputasi yang telah terbentuk di mata pemangku kepentingan (Kateryna et al., 2019). Perusahaan yang telah lama beroperasi umumnya memiliki mekanisme pengendalian internal dan manajemen risiko yang lebih terstruktur, sehingga lebih mampu mengantisipasi ketidakpastian dan mengelola risiko, termasuk risiko kredit (Abiodun, 2020; Settembre-Blundo et al., 2021). In addition, more mature companies tend to have a stronger reputation and legitimacy, which can influence how they respond to demands for transparency and the implementation of Corporate Social Responsibility (CSR). (Waddock et al., 2002). In contrast, younger companies may still be in the stages of adjusting their strategies and building their reputations, so their behavior in facing risks and in carrying out CSR practices may be different. (Oyelade, 2019). Limited experience, weak internal control systems, and unstable cash flow in younger companies have the potential to increase risk exposure and depress financial performance, so that

the company's age can mechanically have a negative impact on stability and performance achievements.(Cyril & Singla, 2021). Thus, the age of a company not only has the potential to directly influence financial performance, but can also influence the extent to which the company manages risk and carries out its social responsibilities.(TH Vu et al., 2019).

The final factor is Quality Awards, or awards received by the company. Awards are often seen as a form of external recognition of the quality of management, reputation, and achievements of the company. (Uyar et al., 2024). Companies that successfully win certain awards can improve their positive image in the eyes of the public and investors, which ultimately has the potential to strengthen their financial performance. (Jiang et al., 2024).

In the context of organizational governance and quality, awards such as the Indonesian Quality Award are often associated with the implementation of good corporate governance, operational efficiency, and increased public trust.(Setyahadi & Narsa, 2020)These awards are generally given based on criteria that reflect excellence in management systems, leadership, and sustainability orientation. Therefore, examining the relationship between quality awards and credit risk and Corporate Social Responsibility (CSR) practices is important to determine whether award-winning companies truly have better risk management and social responsibility practices that impact financial performance, or whether they are merely formal recognition without any real impact on company results.(Gallus & Frey, 2016).

Based on the financial performance phenomena described above, this study is relevant for analyzing the influence of determinant factors on the sector's financial performance. Credit risk is a crucial variable given the high pressure on asset quality during the crisis, while CSR and company age are thought to play a role in building business resilience. Furthermore, external recognition through quality awards is also worth examining for its contribution to restoring financial performance amidst uncertain market conditions.(Susanti et al., 2023). In line with the selection of these variables, this study specifically focuses on the financial sector. There are several main reasons why this sector was chosen. First, the financial sector has very specific and complex characteristics compared to other sectors.(Ionescu et al., 2025)Credit risk is an important variable in this study because it is the main risk inherent in financial institutions and is not relevant for analysis in the non-financial sector.(V. Chang et al., 2024)This makes the financial sector unique and important to study in more depth, as its risk dynamics significantly determine profitability. Second, Indonesia's financial sector operates under a strict and transparent regulatory framework under the supervision of the Financial Services Authority (OJK).

The obligation to submit annual reports, governance reports, and sustainability reports makes company data in this sector relatively more complete, consistent, and credible for research purposes.(Financial Services Authority, 2020)Third, the financial sector has a very strategic role in

maintaining national economic stability.(Fengju & Wubishet, 2024)As an intermediary institution, financial sector companies function to channel funds from parties with surpluses to parties in need of financing.(Broby, 2021)Thus, the stability and performance of this sector not only impact business continuity but also have direct implications for the investment climate and economic growth.

From an academic perspective, this research also offers an aspect of novelty. While previous research, both at the international level,(Benali, 2025)both national and international(Cahyani, 2018)more emphasis on conventional variables such as credit risk(Anjani & Fitrianti, 2025), social responsibility(Aji & Castek, 2021), company size(Serolin, 2023), as well as governance(Lopez et al., 2022), this study attempts to broaden the perspective by incorporating Quality Awards as a determinant of financial performance. In practice, awards are used as a promotional tool and a symbol of reputation by companies, but their impact on financial performance is rarely empirically tested. Therefore, this study presents a new contribution by examining how quality awards can affect profitability, in addition to commonly studied variables. (Jiang et al., 2024).

Research on Quality Awards and corporate performance has been extensively conducted in various countries, using diverse contexts and data sources. Jiang et al. (2024) studied manufacturing firms in China using data from the CSMAR database and annual reports of quality award winners in the Yangtze River Delta, and found

that quality awards improved post-award financial performance. Azadegan and Pai (2008) studied industrial firms in the United States using data from the IndustryWeek Best Plants Award and the Compustat Database, which showed better performance among award recipients. In Iran, Safari et al. (2020) used data from the Iran National Quality Award (INQA) and found a positive relationship between award scores and organizational performance. Li and Wu (2024) studied China Quality Award (CQA) winners using data from the CSMAR and the Wind Database, finding that the award's effect varied depending on contextual factors such as state ownership and innovation. Meanwhile in Europe, Yousaf (2024) studied EFQM-certified companies using EFQM and the Refinitiv Eikon Database, and found that human capital efficiency strengthens the relationship between quality certification and company performance.

In Indonesia, similar research is still limited and focuses on the manufacturing and energy sectors. Sumargo et al. (2019) studied companies receiving the 2017 Green Industry Award using secondary data from manufacturing company financial reports on the Indonesia Stock Exchange (IDX) and found that receiving the Green Industry Award was associated with financial distress. Ciptono et al. (2016) examined TQM implementation in strategic business units in the oil and gas sector using primary data from managerial surveys to assess the sustainability of quality practices and non-financial performance.

Unlike previous research, this study presents a novel approach by

examining the influence of Quality Awards on the financial performance of financial sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. In addition to the previously unexamined sector context, this study also uses a more comprehensive measurement tool for quality award variables, encompassing various awards received by companies in the areas of quality, innovation, governance, and social responsibility. This approach provides a novel contribution by linking cross-sector award receipts to the actual financial performance of Indonesian financial companies, thus expanding the Quality Awards literature in the context of developing countries and non-manufacturing industries.

This research is urgent because the Indonesian financial sector experienced a decline and fluctuation in performance during the 2020 crisis period as reported by Financial Services Authority (2017), while this sector has a vital role in maintaining national economic stability (Onyshchuk et al., 2020). This condition demands a more comprehensive understanding of the factors that influence financial performance, especially credit risk as the main risk of financial institutions, the implementation of CSR which is increasingly required through POJK Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance. (Financial Services Authority, 2017). This regulation requires Financial Services Institutions (LJK), issuers, and public companies to integrate environmental, social, and governance (ESG) aspects into their business activities and to prepare and publish sustainability reports that

include the implementation of corporate social responsibility. (Financial Services Authority, 2017). These reporting obligations also refer to international standards such as the Global Reporting Initiative, thus requiring companies to be more transparent and accountable. (Brown et al., 2009). In addition, the characteristics of the company's age and the acquisition of quality awards such as the Indonesian Quality Award are also thought to influence the consistency and resilience of performance. (Cyril & Singla, 2021; Limijaya et al., 2021). Given the limited research that simultaneously examines these variables in the Indonesian financial sector, this study is important to provide empirical evidence regarding the factors that truly contribute to improving and sustaining financial performance.

Stakeholder Theory

Stakeholder Theory is an important framework in sustainability reporting that organizes companies in terms of responsibilities that go beyond just the company's shareholders and investors, to include all stakeholders involved. (Bidhari et al., 2013; Xu et al., 2024). This theory is often used in research related to sustainability reporting, highlighting the importance of involving various stakeholder groups in the reporting process. (Raman et al., 2023). These stakeholders include employees, customers, local communities, government, and the environment. (Sulemana et al., 2025). According to this theory, every stakeholder has the right to obtain information regarding company activities, especially those related to the social and environmental impacts of a

company's operational system.(Aji & Castek, 2021; Thun et al., 2024).

This study uses Stakeholder Theory as a conceptual framework to explain the importance of Corporate Social Responsibility (CSR) in the sustainability reports of financial sector companies listed on the IDX for the 2020–2024 period. CSR disclosures are made not only to fulfill legal or regulatory obligations, but also to address the impact of corporate social responsibility (CSR).(Okafor et al., 2021), but also as a form of corporate accountability to wider stakeholders.(Awa et al., 2024)By disclosing information related to CSR programs, policies, and achievements, including material social and environmental impacts, companies can foster trust and transparency with investors, consumers, and the wider community.(Du Toit, 2024). In addition, credible CSR disclosure can enhance a company's reputation and attract increased sustainability-focused investment.(Yilmaz, 2021), thereby facilitating the company's long-term growth and sustainability. (Ernst et al., 2025).

Stakeholder theory states that companies should consistently disclose actions that are considered significant by stakeholders.(Saraswati et al., 2024)Sustainability reports serve as a communication tool between an organization and its stakeholders. Transparent and full disclosure of CSR by a company will increase trust and support from stakeholders. This trust is crucial because stakeholders have the ability to influence the allocation of economic resources used by the company.(Du Toit, 2024)Therefore, effective CSR disclosure can enhance a

company's reputation and positively influence its financial success. Companies that meet stakeholder expectations regarding social and environmental responsibility are often more effective in achieving operational sustainability. This study investigates the impact of the relationship between CSR and corporate financial policies on the financial performance of issuers in the Indonesian Stock Exchange (IDX) financial sector for the 2020–2024 period.

2.1.1 Legitimacy Theory

Legitimacy Theory explains that the survival of an organization is greatly influenced by acceptance (generalized perception) from its social environment, namely the extent to which the organization's actions and practices are seen as being in accordance with the values, norms and beliefs held by society.(Meyer & Tse, 2025). To gain and maintain legitimacy, companies not only adapt their structures and processes(T. Van Nguyen et al., 2022), but also build symbolism and communication that demonstrates alignment with social expectations.(Janiszewski & Dziubinska, 2024)In the context of a highly regulated financial sector that relies on public trust, legitimacy plays a central role: the assessments of regulators, investors, customers/depositors, analysts, the media, and the community determine the “social license” for a company to operate and access economic resources.(Abdelsalam et al., 2024).

This study uses Legitimacy Theory as a conceptual framework to strengthen the argument that Quality Awards influence the financial performance of financial sector issuers

listed on the IDX in the 2020–2024 period. Awards in the areas of governance, operational excellence, service, and social responsibility serve as external endorsements that company practices align with widely recognized standards and norms.(Abdelsalam et al., 2024). Thus, Quality Awards work as a third-party validation mechanism that reduces market skepticism, reduces information asymmetry, and enhances a company's reputation and credibility.(Marschlich & Hurtado, 2025).

In line with Legitimacy Theory, companies need to consistently communicate practices and achievements that are considered material by the public, including obtaining Quality Awards as a strategy to obtain, maintain, or restore legitimacy.(Emma et al., 2024)Credible communication and disclosure of awards (e.g., in annual reports, sustainability reports, or information disclosures) can influence resource allocation by stakeholders: increasing investment preferences, strengthening customer loyalty, lowering the cost of capital, and improving access to funding.(Farzamfar et al., 2024). With this mechanism, Quality Awards are expected to contribute positively to financial performance, both through increased revenue (revenue effect) and reduced costs (cost of capital/monitoring). Therefore, in this study, Quality Awards are positioned as a variable that impacts financial performance through the legitimacy pathway, namely strengthening social acceptance and market trust in BEI financial sector companies in the 2020–2024 period.

2.1.2 Financial Performance

Financial performance is one of the main indicators of a company's effectiveness and efficiency.(Driastuti et al., 2024). Efficiency reflects the comparison between input and output, while effectiveness describes the extent to which company goals can be achieved.(Oketah et al., 2023)Financial performance provides an overview of the company's financial condition in the previous period, which can then be analyzed to predict future conditions.(Hendro Lukman, 2019; Kamatra & Kartikaningdyah, 2015)This evaluation is generally conducted using data from the balance sheet and income statement which reflect the company's fundamental performance.(Hogiantoro et al., 2022).This information helps management manage resources and make strategic decisions.(Aji & Castek, 2021; Ogachi & Zoltan, 2020).

Companies with good financial performance are able to survive in competition, while companies with poor financial performance tend to face crises and potentially stop operating.(Wang & Guedes, 2025)Therefore, companies conduct various forms of financial analysis to assess their performance. The primary focus of these assessments is the company's ability to generate revenue and profits.(Adeoye & Olojede, 2019).

The financial reports used in assessing performance consist of the balance sheet and profit and loss report.(Anjani & Fitrijanti, 2025)The balance sheet shows the company's financial position, including current and fixed assets, as well as funding sources from loans and equity.(Dead End, 2023)Meanwhile, the profit and loss report shows the company's operational results in a certain period, including

revenue, expenses, and profit or loss obtained.(Yilmaz, 2021).

Financial performance is assessed using various ratios, such as liquidity, solvency, activity and profitability ratios.(Wulaningrum et al., 2022)This study uses Return on Assets (ROA) to represent financial performance. This ratio measures how effectively a company utilizes its total assets to generate profit. This ratio indicates management's efficiency in utilizing all available resources to generate profit.(Cahyani, 2018). The ROA calculation formula is as follows:

$$ROA = \left(\frac{Net\ Income}{Total\ Assets} \right) \times 100\%$$

ROA, as a proxy for financial performance, can be influenced by many factors, both internal and external to the company. Loan Loss Provision (LLP) reflects the expected credit risk that must be borne, thus impacting net profit.(Amoa-Gyarteng et al., 2025). The age of the company is related to the level of experience, reputation, and operational stability which can increase efficiency in generating profits.(Mallingu et al., 2020)Corporate Social Responsibility (CSR) reflects a company's commitment to social and environmental responsibility, which can strengthen its image and reputation, and attract the trust of investors and customers, thus potentially improving financial performance.(Benali, 2025). Then the quality of the awards can reflect credibility, good governance, and operational standards, thereby strengthening the company's competitiveness.(Safari et al., 2020). Thus, analysis of ROA is important to test the determinants of a company's financial performance.

The relationship between Corporate Social Responsibility (CSR) and financial performance has been a major focus of the literature, albeit with mixed results. Studies by Alfawaz & Fathah (2022), Yousefian et al. (2023), Husaini et al. (2023), and Aritonang & Rahardja (2022) consistently found a significant positive effect of CSR on various profitability measures such as ROA, ROE, and NPM. However, Driastuti et al.'s (2024) findings showed that only environmental disclosure was significant, albeit negative, while social and governance aspects were insignificant. This diversity of results indicates that the CSR-financial performance relationship is strongly influenced by sector context, geographic region, and CSR measurement method. New research examining CSR in Indonesian financial sector companies could provide novelty by exploring the specific mechanisms in the banking sector, which differ from the non-financial sector, while also testing the consistency of findings amidst the variation in existing research results.

Regarding the Credit Risk variable, previous studies such as Anjani & Fitrijanti (2025), Kumaralita & Purwanto (2019), and Ekinci & Poyraz (2019) consistently found a significant negative effect of non-performing loans (NPLs) on bank profitability. Contradictory findings come from Cobbinah et al. (2024), who found a significant positive effect of Credit Risk on ROA and ROE in Ghanaian banks, and Munangi & Sibindi (2020), who obtained varying results depending on the NPL proxy used. The research gap lies in the lack of consensus regarding the direction of the Credit Risk-financial performance relationship, especially in

the specific context of Indonesian financial sector companies. New research can contribute by confirming this relationship pattern in Indonesia while considering the unique characteristics of the highly regulated financial sector, while also examining whether the contradictory findings from various global studies also apply in the Indonesian context.

Regarding firm age and quality awards, previous studies have shown more mixed results. Rwakihembo et al. (2023) and Mallingu et al. (2020) found a positive effect of firm age on performance, while Arhinful & Radmehr (2023) and Yousaf (2025) found a negative effect. Theiri et al. (2023) and Cho (2022) found an insignificant relationship. For quality awards, Jiang et al. (2024) and Li et al. (2024) found a significant positive effect, but Safari et al. (2020) found a weak relationship in Iran. The research gap lies in the limited number of studies that integrate all four variables simultaneously in a single model, particularly for financial sector companies in Indonesia.

This research's novelty aims to bridge several crucial academic gaps. Previous literature has not presented a comprehensive model that simultaneously integrates four key variables: credit risk, CSR, firm age, and quality awards. This lack of a model is particularly evident in the context of structural comparisons between the banking and non-banking sectors. Empirical findings regarding the effect of firm age on financial performance are also paradoxical. For example, studies by Arhinful and Radmehr (2023) and Yousaf (2025) report a negative effect. Conversely, Rwakihembo et al. (2023)

demonstrate a positive effect. Furthermore, the mechanism by which Quality Awards moderate the relationship between CSR and credit risk on financial performance remains an unexplored area. This area is particularly underexplored in the Indonesian empirical context. Most previous research has focused on specific sectors without an in-depth comparative analysis between the banking and non-banking sectors. These two sectors have fundamentally different regulatory characteristics and risk profiles. Furthermore, the research period of 2020 to 2024 offers a unique temporal context. This period encompasses both the turbulence of the pandemic and economic recovery, a phenomenon that has not been widely explored in the existing literature.

RESEARCH METHODS

This study uses a quantitative explanatory approach to test the causal relationship between independent variables, namely Credit Risk, Corporate Social Responsibility (CSR), Age, and Quality Awards, and the dependent variable, Financial Performance. The explanatory approach was chosen because the study not only describes the phenomenon but also explains the influence between variables through statistical testing. (Creswell & Creswell, 2018).

The quantitative method was chosen because it is objective, structured, and allows for empirical hypothesis testing using numerical data that can be analyzed statistically. (Sugiyono, 2019). The research data comes from financial reports and annual reports of financial sector companies, which are analyzed using a panel data regression model to

determine the extent of the influence of Credit Risk, CSR, Age, and *Quality Award* on financial performance. The 2020–2024 research period was chosen because it reflects the financial industry's conditions during the COVID-19 pandemic and subsequent economic recovery. This period saw increased credit risk, loan restructuring, and accelerated digitalization of financial services, all of which could potentially impact companies' financial performance.

This type of research is included in the associative category, because it aims to assess the relationship and influence between variables. (Sekaran & Bougie, 2016) The research was conducted within a positivistic paradigm framework, which views social reality as something objective and testable using a deductive approach and statistical methods. (Neuman, 2014).

Thus, this research is oriented towards a deductive approach, starting from existing theory to formulate hypotheses, which are then verified

through empirical data. This is consistent with the characteristics of quantitative research, which emphasizes systematic, objective, and measurable theory testing. (Creswell & Creswell, 2018).

The population in this study includes all financial sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2024.

Sample determined using purposive sampling, namely a sampling technique with certain criteria that are adjusted to the research objectives. (Sugiyono, 2019). With the number of observations obtained amounting to 125.

RESEARCH RESULT

Descriptive analysis is used to summarize and describe data informatively by showing the distribution, patterns, and general characteristics of a data set. This method uses statistics such as the average (mean), maximum value, minimum value, and standard deviation. (Ghozali, 2021).

Table 4.1 Descriptive Statistics Test Results

Descriptive Statistics of Original Data				
Variables	Minimum	Maximum	Mean	Std. Deviation
ROA	-0.181	0.084	0.012	0.025
LLP	-0.049	0.333	0.019	0.042
Company Age	22,000	127,000	51,440	25,752
Award	0.000	159,000	25,976	34,317
GRI	0.063	0.813	0.351	0.179

Source: Processed data, 2026

The number of observations (N) used in this study was 125. The minimum value indicates the smallest value range in the study, while the maximum value indicates the largest value range in the study. The average value (mean) indicates the total value of each variable divided by the number of samples, while the standard deviation

indicates the deviation of the data in the study. The results of the analysis of each variable are as follows.

1. The Return on Assets (ROA) variable has an average value of 0.012 with a standard deviation of 0.025. The ROA values in the research sample range from -0.181 to 0.084. This range indicates that

the profitability of the financial sector companies studied is relatively low, and some companies experienced losses during the observation period. The highest ROA value was recorded by PT Bank BTPN Syariah Tbk. in 2022, while the lowest ROA value was recorded by PT Bank Rakyat Indonesia Agroniaga Tbk. in 2021.

2. The Loan Loss Provision (LLP) variable has an average value of 0.019 with a standard deviation of 0.042. LLP values in the research sample range from -0.049 to 0.333. This wide range reflects differences in loan loss provision policies among financial sector companies. The highest LLP value was recorded at PT Bank Rakyat Indonesia Agroniaga Tbk. in 2021, while the lowest was recorded at PT Bank Amar Indonesia Tbk. in 2024.
3. The company age variable has an average value of 51.440 years with a standard deviation of 25.752. The age of the companies in the research sample ranges from 22 to 127 years. This age range indicates a high level of heterogeneity in terms of maturity and operational experience of financial sector companies. The highest company age was recorded at PT Bank Tabungan Negara (Persero) Tbk. in 2024, while the lowest company age was held by PT Bank Mandiri (Persero) Tbk. in the 2020 period;
4. The variable number of awards has an average value of 25.976 with a standard deviation of 34.317. The value of the number of awards in the research sample ranges from 0 to 159. This range of

values indicates significant variation and inequality in the distribution of award achievements among financial sector companies. The highest number of awards was recorded by Bank Mandiri (Persero) Tbk. in 2024. Meanwhile, the lowest number of awards, namely zero, was held by Verena Multi Finance Tbk. in the 2020–2024 period, PT Bank Pembangunan Daerah Banten Tbk. in 2020, KDB Tifa Finance Tbk. in the 2020–2021 period, and Pacific Strategic Financial Tbk. in 2024; and

5. The sustainability report disclosure level variable has an average value of 0.351 with a standard deviation of 0.179. The sustainability report disclosure level in the research sample ranges from 0.063 to 0.813. This range indicates that the sustainability disclosure practices of financial sector companies are at a moderate level with considerable variation, reflecting differences in company commitment and capacity in implementing and reporting sustainability aspects. The highest level of sustainability report disclosure was recorded by PT Bank Negara Indonesia (Persero) Tbk. in 2024, while the lowest level was recorded by Verena Multi Finance Tbk. in 2020.

4.1.1 Model Selection Test

a. Chow Test

The Chow test is used to determine the most appropriate panel regression model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). This test aims to determine

whether there are significant differences in characteristics between cross-section units that need to be accommodated through a fixed effect approach. Decision making is carried out by comparing the probability value (p-value) of the Chow test results with a significance level of 0.05. If the p-value is less than 0.05, then the null hypothesis (H_0) is rejected and the more appropriate model is the Fixed Effect Model. Conversely, if the p-value is greater than 0.05, then the Common Effect Model is considered more appropriate. The following presents the data processing results from the Chow test used as the basis for selecting the panel regression model in this study.

Table 4.2 Chow Test Results

Effects Test	Statistics	df	is rejected	Prob.
Cross-section F	11.036432	(24.96)	is the 0.0000	Fixed Effect Model.

Source: Processed data, 2026

Based on the Chow test results shown in the Effects Test table, a probability value (p-value) of 0.0000 was obtained, which is smaller than the 0.05 significance level. This result indicates that the null hypothesis (H_0) stating that the Common Effect model used is rejected. Thus, it can be concluded

that there are significant differences in characteristics between cross-sectional units in the research model. Therefore, the most appropriate panel regression model to use in this analysis is the Fixed Effect Model (FEM).

b. Hausman test

The Hausman test is used to determine the most appropriate panel regression model between the Fixed Effect Model (FEM) and the Random Effect Model (REM). This test aims to determine whether the differences in coefficient estimates between the two models are systematic or not. The decision-making criteria in the Hausman test are based on a comparison of probability values (p-values) with a significance level of 0.05. If the p-value is less than 0.05, then the null hypothesis (H_0) is rejected and the selected model is the Fixed Effect Model.

Conversely, if the p-value is greater than 0.05, then the Random Effect Model is considered more appropriate. The following presents the data processing results from the Hausman test used as the basis for selecting the panel regression model in this study.

Table 4.3 Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob.
Random cross-section	17.361290	4	0.0016

Source: Processed data, 2026

Based on the results of the Hausman test presented in the Test Summary table, the Chi-Square Statistic value was 17.361290 with 4 degrees of freedom and a probability value

(p-value) of 0.0016. This probability value is smaller than the 0.05 significance level, so the null hypothesis (H_0) stating that the Random Effect Model used is rejected. Thus, it can be concluded

that there is a significant difference in coefficient estimates between the Fixed Effect and Random Effect models. Therefore, the most appropriate panel regression model to be used in this study is the Fixed Effect Model (FEM).

4.1.2 Classical Assumption Test

a. Normality Test

The normality test is used to assess whether the variables in a research model have a normal distribution, which is one of the fundamental assumptions in statistical analysis.(Ghozali,

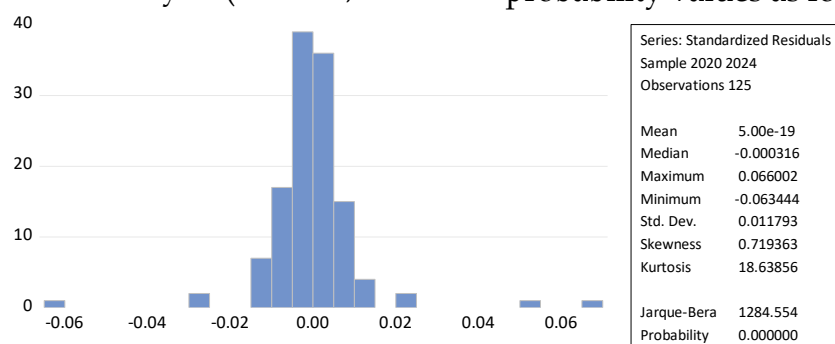


Figure 4.1 Normality Test Results

Source: Processed data, 2026

Based on the results of the normality test using the Jarque-Bera statistic shown in the graph, a probability value of 0.000000 was obtained, which is smaller than the 0.05 significance level. This result indicates that the null hypothesis stating that the residuals are normally distributed is rejected. Visually, the residual histogram also shows a distribution that is not completely symmetrical with a relatively high kurtosis value, which reflects the presence of a distribution peak that is sharper than a normal distribution. Thus, both based on statistical testing and the distribution pattern in the graph, it can be concluded that the

2021)In this study, normality testing was conducted using the Jarque-Bera method, focusing on the resulting probability values. The test criteria state that if the probability value is greater than the specified significance level, namely $\alpha = 0.05$, then the null hypothesis cannot be rejected. This condition indicates that the data follows a normal distribution. The results of the normality test are displayed in graphical form, along with the calculation of the probability values as follows:

residuals in this research model do not meet the assumption of normality.

b. Multicollinearity Test

A multicollinearity test indicates a strong linear relationship between independent variables in a regression model. The multicollinearity test aims to identify the existence of a correlation between these independent variables. In this study, the multicollinearity test was conducted using a correlation coefficient value with a value exceeding 0.8 indicating multicollinearity in the model. The results of the multicollinearity test

are presented in the following table:

Table 4.4 Correlation Coefficient Results

	LLP	GRI	AGE	AWARD
LLP	1,000,000	-0.076228	-0.143240	-0.020645
GRI	-0.076228	1,000,000	0.496497	0.526707
AGE	-0.143240	0.496497	1,000,000	0.338372
AWARD	-0.020645	0.526707	0.338372	1,000,000

Source: Processed data, 2026

Based on the correlation matrix between the independent variables presented, all correlation coefficient values are below 0.80. This indicates that the relationship between the independent variables, namely LLP, GRI, AGE, and AWARD, is classified as low to moderate, so it can be concluded that the regression model does not face multicollinearity problems based on the correlation criteria. Furthermore, multicollinearity detection does not only depend on the correlation between the independent variables but can also be strengthened through the Variance Inflation Factor (VIF)

test. VIF is used to measure the extent to which the variance of the regression coefficient increases due to the correlation between the independent variables. Referring to the criteria proposed by Gujarati and Porter(2009), if the VIF value ≤ 10 , it can be concluded that there is no multicollinearity problem in the regression model, while a VIF value > 10 indicates the presence of serious multicollinearity. Thus, both based on the correlation value and the VIF criteria, the regression model used can be declared free from multicollinearity problems.

Table 4.5 VIF Criteria Results

Variable	VIF
LLP	1.022320
GRI	1.644983
AGE	1.362971
AWARD	1.400945

Source: Processed data, 2026

c. Heteroscedasticity Test

Heteroscedasticity testing on panel data is performed to identify the presence of inconsistent residual variations between cross-section units and across time periods in a regression model. The presence of heteroscedasticity can cause inefficient estimation of regression coefficients, thus affecting the validity of statistical

tests. In this study, heteroscedasticity testing is performed using the Glejser test by making the absolute value of the residual (ABS) the dependent variable regressed against the independent variables. The decision-making criteria are based on the test probability value. If the probability value is greater than 0.05, it can be concluded that the

regression model does not contain heteroscedasticity, while a probability value smaller than or equal to 0.05 indicates the presence

of heteroscedasticity in the regression model.(Gujarati & Porter, 2009).

Table 4.6Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LLP	-0.137879	0.016934	-8.142025	0.0000
GRI	0.000503	0.006433	0.078150	0.9379
AGE	-7.03E-05	0.000432	-0.163013	0.8709
AWARD	-1.47E-05	3.98E-05	-0.368477	0.7133
C	0.056689	0.032035	1.769607	0.0800

Source: Processed data, 2026

Based on the results of the heteroscedasticity test estimation using the Glejser method, it was found that the independent variable LLP has a probability value of 0.0000, which is smaller than the significance level of 0.05. Referring to the Gujarati and Porter criteria.(2009)These results indicate heteroscedasticity in the panel regression model. This condition indicates that the error variance is not constant, especially in the 2020–2024 period, which is characterized by economic uncertainty and uneven credit risk fluctuations. This finding aligns with Floreani et al.(2015)which states that the LLP value is highly sensitive to differences in credit risk, asset quality, and reserve policies between companies. Meanwhile, other independent variables, namely GRI, AGE, and AWARD, have probability values greater than 0.05, thus indicating

no indication of heteroscedasticity. However, because there is one independent variable that does not meet the homoscedasticity assumption, it can be concluded that the panel regression model as a whole does not fully meet the homoscedasticity assumption.

d. Autocorrelation Test

Autocorrelation tests are conducted to identify the relationship between residuals from one period and those from the previous period in a regression model. Autocorrelation can lead to inefficient parameter estimation, even though the resulting regression coefficients remain consistent, thus affecting the accuracy of statistical testing.(Gujarati & Porter, 2009). In this study, autocorrelation testing was conducted using the Durbin–Watson (DW) method, with the following results.

Table 4.7Durbin-Watson Test Results

Durbin-Watson stat	2.249196
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Source: Processed data, 2026

Based on the results of the autocorrelation test using the Durbin–Watson method on a panel data model with a cross-

section fixed effect approach (dummy variables), the Durbin–Watson (DW) value was obtained at 2.249196, which is above the +2

limit. Based on the decision-making criteria, these results indicate that the regression model contains negative autocorrelation. This condition reflects the existence of a residual relationship between periods that is in the opposite direction, especially in the financial sector which faces strict regulations and fluctuating economic conditions during the 2020–2024 period, thus potentially affecting the efficiency of parameter estimation in the regression model. In line with Altunbas and Karagiannis(2008)which states that negative autocorrelation can occur due to a company's performance adjustment pattern which is mean reversion so that performance deviations in one period tend to be followed by opposite corrections in the following period.

4.1.3 Hypothesis Testing

Based on the test results in the study, several classical assumptions were found to be violated, particularly in the normality and autocorrelation tests. These conditions indicate that the use of the Ordinary Least Squares (OLS) method can produce inefficient estimates and biased standard errors, thus reducing the inferential validity of the research results.

To address the problem of violating classical assumptions, this study adopted the Seemingly Unrelated Regression (SUR) method, which is part of the Generalized Least Squares (GLS) approach. The SUR method was chosen because it has the advantage of accommodating heteroscedasticity and residual autocorrelation between cross-

section units, which are commonly found in panel data. Furthermore, SUR is considered more suitable for data conditions with large N, small T characteristics, namely when the number of cross-section units is greater than the observation time period.(Beck et al., 1995). Research by Mansournia et al.(2021)stated that the use of robust standard errors can also be considered to correct for standard error bias without changing the structure of the estimation model. However, this approach generally only improves statistical inference and does not increase the efficiency of parameter estimation as offered by the SUR method. Therefore, the use of SUR is considered more comprehensive and appropriate in addressing the problem of violations of classical assumptions in this study.

Gujarati and Porter(2009)strengthen this argument by stating that the GLS approach, including the SUR model, is able to produce estimates that remain efficient despite violations of several classical assumptions. Chen et al.(2018)The implications of using SUR on the interpretation of research results indicate that the regression coefficients are still interpreted as the marginal influence of each independent variable on the dependent variable, but with a higher level of inference reliability because the standard error has been corrected for residual correlation and variance inhomogeneity. Therefore, the use of the SUR method in this study is not only technical, but also the right methodological choice in order to obtain robust, valid, and statistically reliable estimation results. Thus, the SUR model can be considered a superior alternative

approach compared to OLS, especially in the context of panel data that does not strictly meet classical assumptions.

a. Significance Test (t-Test)

The t-test is used to partially examine the influence of each independent variable on the dependent variable in a regression model. This test aims to determine the extent to which the independent variables individually explain variation in the dependent variable, assuming

the other independent variables remain constant. In this study, the test was conducted at a significance level of 0.05 as the basis for decision-making. An independent variable is declared to have a partial significant influence if the resulting probability value (p-value) is less than 0.05, while a probability value greater than 0.05 indicates that the independent variable has no significant influence.

Table 4.8 Significance Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LLP	-0.190421	0.092265	-2.063837	0.0500
GRI	-0.003408	0.008515	-0.400280	0.6925
AGE	-0.000201	8.87E-05	-2.265787	0.0328
AWARD	7.46E-05	3.17E-05	2.353680	0.0271

Source: Processed data, 2026

Based on the results of data processing using the Seemingly Unrelated Regression (SUR) method, the influence of each independent variable on the dependent variable ROA can be partially explained as follows:

- 1) The LLP variable has a probability value (p-value) of 0.0500, which is right at the 0.05 significance level. Therefore, the null hypothesis (H_0) is rejected, thus concluding that LLP has a negative and partially significant effect on ROA. The coefficient value of -0.1904 indicates that each one-unit increase in LLP is estimated to decrease ROA by 0.1904 units, assuming the other independent variables remain constant.
- 2) The GRI variable has a probability value of 0.6925,

which is significantly greater than the 0.05 significance level. This indicates that the null hypothesis (H_0) cannot be rejected, indicating that GRI does not have a significant partial effect on ROA. Although the regression coefficient is negative at -0.0034, this effect is not supported by sufficient statistical significance.

- 3) The AGE variable has a probability value of 0.0328, which is less than 0.05. Thus, the null hypothesis (H_0) is rejected and it can be concluded that AGE has a negative and partially significant effect on ROA. A coefficient value of -0.0002 indicates that every one unit increase in AGE is estimated to decrease ROA by 0.0002 units, assuming the other

independent variables remain constant.

- 4) The AWARD variable shows a probability value of 0.0271, which is smaller than the significance level of 0.05. Therefore, the null hypothesis (H_0) is rejected, so that AWARD has a positive and partially significant effect on ROA. The coefficient value of 0.0000746 indicates that each increase in AWARD by one unit is estimated to increase ROA by 0.0000746 units, assuming other independent variables are constant.

b. Simultaneous Test (F Test)

The F test is used to examine the influence of all independent variables on the dependent variable simultaneously in a regression model. This test aims to

determine whether the independent variables entered into the model are jointly able to explain variations in the dependent variable. In this study, the F test was conducted at a significance level of 0.05 as a basis for decision making. If the probability value (p-value) of the F test result is less than 0.05, then the null hypothesis (H_0) is rejected and it can be concluded that all independent variables simultaneously have a significant effect on the dependent variable. Conversely, if the probability value is greater than 0.05, then the null hypothesis cannot be rejected, which indicates that the independent variables together do not have a significant effect on the dependent variable.

Table 4.9 Simultaneous Test Results

Weighted Statistics	
Prob(F-statistic)	0.000003

Source: Processed data, 2026

Based on the results of the Weighted Statistics estimation on the panel regression model using the Seemingly Unrelated Regression (SUR) method, the Prob(F-statistic) value was obtained at 0.000003, which is smaller than the significance level of 0.05. This result indicates that the null hypothesis (H_0) which states that all independent variables do not simultaneously affect the dependent variable is rejected. Thus, it can be concluded that the independent variables included in the model together have a significant influence on the dependent variable. This finding

indicates that the panel regression model used has good ability in explaining the relationship between independent variables and dependent variables, so it is suitable for further analysis.

c. Test Coefficient of Determination (R^2)

The coefficient of determination (R^2) is used to measure the extent to which a regression model can explain variations in the dependent variable. R^2 values range from 0 to 1, with values closer to 1 indicating a greater ability of the independent variables in the model to explain changes in the

dependent variable. Conversely, R^2 values closer to 0 indicate a relatively low ability of the

independent variables to explain variations in the dependent variable.

Table 4.10R-Square Test Results

Weighted Statistics	
R-squared	0.225780

Source: Processed data, 2026

Based on the results of Weighted Statistics on the panel regression model, an R-squared value of 0.225780 was obtained. This value indicates that 22.58 percent of the variation in Return on Assets (ROA) can be explained by the independent variables used in the research model, while the remaining 77.42 percent of the variation in ROA is influenced by other factors outside the model that are not included in the analysis. Although the R-squared value is relatively low, in cross-sectional research in the financial sector, an R-squared value in the range of 20–30 percent is still considered acceptable because a company's financial performance is influenced by various complex factors that cannot be fully explained by a single model (Ozili, 2023). Therefore, this R-squared value still indicates that the model has adequate explanatory power. However, this result also indicates an opportunity to include other, more dominant variables in further research to increase the model's explanatory power regarding ROA.

Research Discussion

The Influence of Credit Risk on Financial Performance

The first hypothesis in this study states that Credit Risk, proxied by Loan

Loss Provision (LLP), has a negative and significant effect on the financial performance of financial sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Based on the results of the regression analysis, a p-value of 0.0500 was obtained, which is smaller or equal to the 0.05 significance level. In addition, the calculated t-value of the Credit Risk variable of -2.063837 was recorded as smaller than the t-table value of 1.657. These findings indicate that Credit Risk has a negative and significant effect on the company's financial performance. Thus, the first hypothesis proposed in this study is accepted.

Based on agency theory, managers as company managers must act in the interests of the owners by managing risks carefully. (Bendickson et al., 2016) When a company establishes appropriate credit loss reserves (LLP), it demonstrates management's ability to anticipate the risk of non-performing loans early. This sound risk management can maintain asset quality and ultimately increase the company's profit, as reflected in its ROA. (Oleiwi et al., 2019).

The increase in credit risk reflected in the increase in LLP suppresses the company's ability to generate profits from its assets because the company must allocate a larger portion of its income as reserves for credit losses, so that funds for financing

expansion and productive investment become limited and reduce the efficiency of asset utilization which has an impact on decreasing Return on Assets (ROA). (Riahi, 2019) This impact is even stronger in financial sector companies because credit is a core source of revenue. Therefore, when credit quality declines, not only profits are depressed but also asset structures deteriorate due to increasing non-performing loans. Furthermore, financial companies operate under strict regulations, so increased credit risk also affects the Capital Adequacy Ratio (CAR) and the quality of productive assets, ultimately limiting capital capacity and magnifying the negative impact of credit risk on profitability. (Madugu et al., 2020).

Empirical support for the negative relationship between credit risk and corporate financial performance has been widely presented in previous research. Theoretical support for this relationship can be explained through the perspective of Legitimacy Theory. (Suchman, 1995) Companies with high Loan Loss Provisions (LLP) are perceived as failing to meet stakeholder expectations in managing their asset quality. This can undermine the company's legitimacy, potentially eroding investor confidence and increasing the cost of capital, ultimately depressing the company's profitability.

Empirical evidence consistently confirms the negative relationship between credit risk and financial performance. Research by Munangi & Sibindi (2020) stated that credit risk has a negative impact on financial performance (ROA) because banks bear credit losses and increase provision

expenses, which reduces effective interest income and absorbs productive capital, thereby reducing the ability of bank assets to generate profits. Ahmed et al. (2022) found that credit risk has a negative impact on financial performance (ROA) because during a crisis period such as the COVID-19 pandemic, it can reduce realized interest income, increase the burden of credit loss provisions, and reduce the efficiency of bank asset utilization in generating profits.

Similar findings were revealed by Yeasin (2022) which concluded that poor credit quality not only reduces interest income but also burdens company operations, thereby narrowing profit margins. This is in line with the opinion of Ngo & Trinh (2025) The higher the anticipated credit risk, the greater the allocation of funds, which can reduce net profit and operational efficiency. Therefore, increased credit risk through deteriorating asset quality and high credit loss provisions directly depresses a company's profitability, ultimately negatively impacting financial performance.

The results of this study confirm that in the financial sector, credit risk is not simply an ordinary operational risk, but rather a core risk that directly determines sustainable profitability. Failure to manage credit risk will trigger a cascade of pressures, including declining profits, declining asset quality, increasing provisioning costs, and limited business expansion capabilities. Therefore, effective credit risk management is crucial for maintaining the long-term financial stability and performance of financial sector companies.

4.2.1 The Influence of Corporate Social Responsibility on Financial Performance

The second hypothesis in this study states that Corporate Social Responsibility (CSR) does not significantly influence the financial performance of financial sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Based on the results of the regression analysis, a p-value of 0.6925 was obtained, which is greater than the 0.05 significance level. In addition, the calculated t-value of the CSR variable of -0.400280 was recorded as smaller than the t-table value of 1.657. These findings indicate that Corporate Social Responsibility (CSR) does not significantly influence the company's financial performance. Thus, the second hypothesis proposed in this study is rejected.

These results indicate that increased CSR disclosure has not had a direct impact on the profitability of financial sector companies because in the short term, CSR is still perceived as a cost burden that reduces asset efficiency, while the scale of expenditure and disclosure is not yet large enough to materially impact financial performance, thus not being a primary determinant of ROA. This is in line with the characteristics of the financial sector, which implements CSR primarily in the form of social programs, financial literacy, and philanthropy, which have a greater impact on reputation and long-term relationships than increasing operating income. Furthermore, in the 2020–2024 period, financial companies focused on post-pandemic recovery through strengthening capital, controlling credit

risk, and operational efficiency, so CSR is viewed more as a moral and regulatory obligation than a core business strategy, which makes its impact on short-term financial performance small and insignificant.

From a stakeholder theory perspective, CSR should increase stakeholder trust and impact long-term performance.(SJ Cho et al., 2019)However, if the research results show no impact, this may be due to a lack of stakeholder perception or appreciation of the company's CSR activities, so that the impact has not been reflected in the financial performance of the research period.(Lopatta et al., 2024)Empirical support for the insignificant relationship between Corporate Social Responsibility (CSR) and corporate financial performance has been found in several previous studies. In line with the results of this study,Pratiwi et al. (2020)which shows that Corporate Social Responsibility (CSR) has an insignificant relationship with the company's financial performance because its implementation is still symbolic or merely fulfilling regulatory obligations so it has not created direct economic value, and its benefits which tend to be long-term such as improving reputation and stakeholder loyalty have not been reflected in short-term financial performance. Supported by research resultsFatah & Haryanto (2016) shows that corporate social responsibility disclosure does not significantly impact ROA and ROE because CSR activities are not mechanically able to increase asset efficiency or shareholder returns. This may occur because CSR costs increase operational costs in the short term,

while the benefits are indirect and long-term and have not been strategically integrated with the company's core activities. Meanwhile, the research results Yaparto et al. (2013) shows that CSR does not have a significant effect on ROA, ROE, and EPS, which means that CSR activities have not been able to improve the company's financial performance as reflected in asset efficiency, return on capital, and earnings per share.

This study shows an insignificant relationship between CSR and financial performance, which can be explained by inconsistent regulatory implementation. Although, based on the provisions of the Financial Services Authority through POJK Number 51/POJK.03/2017, companies listed on the Indonesia Stock Exchange are required to prepare and report sustainability reports, in reality, during the 2020–2024 period, out of 107 financial sector companies, only 69 companies disclosed such reports, leaving approximately 38 companies that have not yet complied with the provisions. Furthermore, limited data access on official company websites also hinders information transparency. This condition indicates that CSR practices and disclosures have not been carried out evenly and optimally, so that their impact on financial performance has not been significantly seen.

This research is not in line with Munawaroh et al. (2023) found that CSR had a significant effect on ROA and ROE in coal mining companies, but the direction of the influence did not always reflect short-term profitability efficiency. Furthermore, Maulana & Rithy (2023) explicitly shows that CSR has a significant negative effect on ROA,

indicating that increased CSR activities can reduce asset efficiency due to increased cost burdens, despite having a positive impact on ROE. Similar findings were also presented by Hafidzi & Qomariah (2022) which found that CSR had a significant negative effect on ROA in manufacturing companies during the pandemic, as operational pressures and declining profits limited companies' ability to optimize their social activities. Overall, the varying results of these studies indicate that CSR does not always make a significant positive contribution to profitability, thus supporting this study's finding that the relationship between CSR and financial performance is insignificant.

These findings confirm that in the financial sector, the benefits of CSR are more long-term and reputational than short-term financial. While CSR plays a role in building legitimacy, public trust, and a sustainable corporate image, its economic impact is only felt when these activities are integrated with the company's core business strategy. Therefore, the insignificance of these research results does not indicate that CSR is unimportant, but rather that its impact on profitability requires time, consistency, and stronger strategic integration.

The Influence of Age on Financial Performance

The third hypothesis in this study states that Company Age has a negative and significant effect on the financial performance of financial sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Based on the results of the regression analysis, a p-value of 0.0328 was obtained, which is smaller than the 0.05 significance level. In addition, the

calculated t-value of the Company Age variable of -2.265787 was recorded smaller than the t-table value of 1.657. These findings indicate that Company Age has a negative and significant effect on the company's financial performance. Thus, the third hypothesis proposed in this study is rejected.

These results indicate that the longer a company operates, the greater the tendency for a decline in efficiency in generating profits from assets because older companies generally have more complex organizational structures, long bureaucracies, and high operational costs, making them less flexible in responding to business changes and impacting on a decline in Return on Assets (ROA). (Whitley, 2000) In Indonesia's financial sector, which is undergoing rapid digital transformation, legacy companies are often hampered by legacy systems, rigid organizational cultures, and hierarchical decision-making, making them less agile than younger companies in adopting technology, reducing costs, and increasing service efficiency. (Handani, 2024). In addition, a large physical branch network and a large number of employees do strengthen market reach but also create a high fixed cost burden which in the digital era actually suppresses operational efficiency and return on assets, so that company age is negatively correlated with financial performance. (Brush & Chaganti, 1999).

Empirical support for a negative and significant relationship between company age and financial performance has been found in several previous studies. In the context of construction companies in India, Cyril & Singla (2020) found that company age has a

direct negative effect on profitability, as measured by Return on Assets (ROA), Return on Capital Employed (ROCE), and Return on Net Worth (RONW). This occurs because the older the company, the greater the potential for organizational rigidity, operational inefficiency, and increased costs for maintaining assets and managerial structures. This ultimately depresses the company's profitability and, consequently, financial performance. This is in line with Opeyemi's research. (2019a) and Thi-Hanh Vu et al. (2019a). Opeyemi (2019b) found that company age negatively impacts Return on Assets (ROA), indicating that companies with longer operating years tend to experience organizational rigidity and decreased innovation, making them less efficient in utilizing assets to generate profits. This finding is supported by research Vu et al., (2019b) revealed that firm age is negatively related to financial performance, particularly in financial firms in Vietnam, where firm age has been shown to lower ROA, ROE, and net income per employee. This occurs because older firms tend to face limited innovation, reliance on legacy technology, and less flexible cost structures, which negatively impact profitability. Thus, the findings from these three studies consistently support this study's finding that firm age has a negative and significant effect on financial performance.

This finding supports the perspective of organizational life cycle theory which states that companies in the maturity stage tend to experience slowing growth, increasing organizational rigidity, and decreasing strategic flexibility. (Phelps et al.,

2007) In the dynamic, technology-driven financial industry, the inability to adapt quickly to market changes can reduce efficiency and profitability. (Yang & Li, 2018) Therefore, company age in this study does not merely reflect experience but also reflects potential structural barriers that could depress financial performance.

The Impact of Quality Awards on Financial Performance

The fourth hypothesis in this study states that the Quality Award has a positive and significant effect on the financial performance of financial sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Based on the results of the regression analysis, a p-value of 0.0271 was obtained, which is smaller than the 0.05 significance level. In addition, the t-value of the Quality Award variable of 2.353680 was recorded as greater than the t-table value of 1.657. These findings indicate that the Quality Award has a positive and significant effect on the company's financial performance. Thus, the fourth hypothesis proposed in this study is accepted.

These results indicate that financial sector companies that receive the Quality Award tend to have more effective management, more efficient operations, and higher service quality, resulting in better financial performance, where the award reflects internal excellence in managing resources, risks, and business processes that have an impact on increasing profitability. (Liu et al., 2020) In an industry that relies heavily on trust and service quality, excellence in governance, risk management, innovation, and customer satisfaction drives customer loyalty, third-party

fund growth, and increased transactions. Furthermore, from an Agency Theory perspective, quality rewards reflect the success of managers (agents) in running the company in accordance with the interests of the owners (principals), thereby reducing agency conflicts and increasing the efficiency of resource management. (Olewi et al., 2019) These results indicate that financial sector companies that receive the Quality Award tend to have more effective management, more efficient operations, and higher service quality, resulting in better financial performance. (Ghafoorifard et al., 2014) In an industry that relies heavily on trust and quality service, excellence in governance, risk management, innovation, and customer satisfaction drives customer loyalty, third-party funding growth, and increased transactions, ultimately boosting ROA.

Empirical support for this relationship is provided by Jiang et al. (2024), who found that Quality Awards have a significant and positive impact on the financial performance of manufacturing companies. The added value of an award is not only reputational, but also leads to increased profitability through the channels described. (Asante et al., 2025) Thus, quality awards serve not only as reputational recognition but also as a source of tangible economic value by driving increased profitability and financial performance for the company.

In line with research Yousaf (2025) and Li et al. (2024) which states that Quality Awards have the potential to positively impact financial performance. Achieving a quality award reflects improved management quality, operational efficiency, and

physical capital intensity, which ultimately contribute positively to a company's financial performance.(Yousaf, 2025). TemporaryLi et al. (2024)Research shows that achieving quality awards, particularly the China Quality Award (CQA), positively impacts a company's financial performance by increasing profitability and fixed asset efficiency. This finding indicates that quality awards serve as a signal of successful quality management, boosting market confidence and driving improvements in a company's financial performance.

These findings confirm that quality awards are not only a form of external recognition but also a reflection of a company's internal capabilities, directly contributing to economic value creation. Therefore, quality awards can be viewed as an intangible asset that strengthens reputation, increases stakeholder trust, and drives improved financial performance in financial sector companies.

CONCLUSION

Based on the results of the analysis that has been carried out, the results of the analysis regarding the influence of Credit Risk, Corporate Social Responsibility, Age, and Quality Awards on Financial Performance will be described as follows:

1) The Influence of Credit Risk on Financial Performance

*Credit risk*Loan Loss Provision (LLP), proxied by Loan Loss Provision (LLP), has a negative and significant effect on the financial performance of financial sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period, thus the first hypothesis is accepted. An

increase in LLP reflects deteriorating asset quality, which reduces interest income, increases provision expenses, and reduces the efficiency of asset utilization in generating profits. This finding aligns with legitimacy theory and is supported by previous research confirming that high credit risk directly depresses a company's profitability and financial performance.

2) The Influence of Corporate Social Responsibility on Financial Performance

*Corporate Social Responsibility*Corporate Social Responsibility (CSR) has no significant effect on the financial performance of financial sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period, thus the second hypothesis is rejected. This indicates that CSR implementation and disclosure have not been able to directly impact company profitability, especially in the short term, because CSR benefits are indirect and require time. This finding aligns with previous research that confirms that the relationship between CSR and financial performance is contextual and does not always provide a significant positive contribution.

3) The Influence of Age on Financial Performance

Company age has a negative and significant effect on the financial performance of financial sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period, thus rejecting the third hypothesis. These results indicate

that the longer a company has been operating, the greater the potential for organizational rigidity, operational inefficiency, and an increasing cost structure, which can depress profitability and thus lower ROA. These findings are consistent with previous studies that confirm that limited innovation and flexibility in older companies negatively impact financial performance.

4) The Impact of Quality Awards on Financial Performance

Quality award has a positive and significant effect on the financial performance of financial sector

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