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The effects of corporate social responsibility disclosure on firm performance with market share mediation

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Abstract

Research aims: This research aims to empirically examine and analyze the effects of CSR (Corporate Social Responsibility) disclosure on firm performance with market share mediation.

Design/Methodology/Approach: The samples covered 38 firms enlisted in the Indonesia Stock Exchange with an observation period of five years. This research used multiple linear regression with the OLS (Ordinary Least Square) method to test the hypotheses.

Research findings: The findings unveiled that the CSR disclosure partially improved the firm's performance and market share.

Theoretical contribution/Originality: Based on empirical evidence, the theories of stakeholder and legitimacy suggest that CSR disclosure improves firm performance, and the theories of legitimacy and market-based view advocate that CSR disclosure using market share can improve performance.

Practitioner/Policy implication: These research results can be used as references for firms to implement better practices of CSR.

Research limitation/Implication: This research is bound to subjectivity due to content analysis, in which the researchers had different understandings and perspectives on the research objects during the disclosure assessment.

Keywords: CSR; Market Share; Firm Performance

Introduction

The ever-intensifying global challenge demands firms to improve their performance. Firms will find it difficult to survive in the perception shift of global business if they do not consider the preferences of various stakeholders (Mawardi, 2022). Akisik and Gal (2014) stated that long-term business success depends on the managerial ability to reasonably consider the interests of all stakeholders since the managers' performance is valued based on their success in achieving goals.

The dynamics and vast development of the business world have generated uncertainty and demanded firms to turn their profit-oriented business into a sustainable one. This concept emerged due to the growing concern of the stakeholders regarding the firms' social and environmental performances (Gonçalves et al., 2021). The firms were asked to increase profit and overcome social and environmental issues that may interfere with business sustainability. Firms do not only operate for their own sake but also provide benefits for the stakeholders (Mawardi et al., 2019).

These phenomena occurred due to shifts in consumers' behavior and preferences, demands from various international institutions for ethical and responsible business principles, the issuance of various firm sustainable reports, and the global investor policies in distributing their investment budgets only to the firms that have already fulfilled their social and environmental responsibility (Junardy, 2023). Hence, it is crucial to maintain firm performance in facing the possibilities of financial, social, and environmental crises and even diminish the possibilities by disclosing information and gradually improving performance (Devie et al., 2019).

The stakeholders' perceptions and expectations may change if the firm discloses sufficient information regarding their financial, social, and environmental activities (Adams & McNicholas, 2007). By fulfilling the stakeholders' need for information, the firm will obtain support for their survival. Stakeholders' support can increase a firm's reputation and help it attract and maintain customers to gain market share (McWilliams & Siegel, 2001).

A shift in social norms and values induces a legitimacy gap (Lindblom, 1994). A firm's sustainability can be guaranteed if the firm responds to various changes. Stakeholders' support is pivotal to achieving satisfactory firm performance, and the absence of it can increase pressure in handling public, governmental, and social relations (Sweetin et al., 2013).

The issues of firm performance can occur due to negative behaviors of firm operation towards environment and society, and it may lead to high-cost legal lawsuits, imposition due to negative reputation, sales loss, increase in capital costs, and increase in financial risks (Lange & Washburn, 2012; Oikonomou et al., 2012). For example, from 2012 to 2018, several big firms have been responsible for forest and land fires and illegal logging. Consequently, the firms had to face lawsuits filed by the Ministry of Environment and Forestry of the Republic of Indonesia and pay fines to the state. The highest fine was imposed on PT National Sago Prima in the amount of IDR1.072 trillion and on PT Merbabu Pelalawan Lestari in the amount of IDR16.2 trillion.

O'Donovan (2002) asserted that improving social responsibility and disclosure is one way to reduce the legitimacy gap between a firm and its stakeholders. This means that the firm must improve the conformity between social expectations and operations. Social responsibility is a firm's strategy to achieve sustainability (Mawardi, 2022). The firm's commitment and social responsibility to the stakeholders are manifested through CSR (Corporate Social Responsibility). CSR disclosure is evidence management provides to stakeholders, including prospective investors, explaining the firm's prospects (Lindawati & Puspita, 2015). It is an effective strategy and competitive advantage for a firm to increase market share and performance (Gu, 2021; Sheikh, 2018b; Siueia et al., 2019).

Firm management will take social initiatives carefully only if they are confident that their social records affect the market share and, thus, their performance (Owen & Scherer, 1993). If market competition is intense, firms will demonstrate CSR to penetrate the market, access the new market, or reduce contingency obligations to improve their performance (Kontesa et al., 2020). Khan and Majid (2013) stated that to increase market share, firms must communicate their CSR endeavors to consumers.

Firm performance is determined by internal and external environments (Orbaningsih et al., 2017). One way to meet various stakeholders' needs is by implementing and disclosing CSR. The fulfillment will generate legitimacy to increase reputation, sales, and firm performance (Orbaningsih et al., 2017). Therefore, the higher the firm's level of disclosure, the higher the score it gets (Türker, 2015).

The market is an external environment filled with various firm characteristics. Firms must compete to achieve competitive advantage and possess a market-based orientation to meet market demand based on the market-based view theory. A unique and innovative strategy will increase sales and improve the firm performance (Leki & Christiawan, 2013).

Many researchers have been intrigued to study the correlation between CSR and firm performance. However, some of them only provided various and inconsistent empirical results. Many studies resulted in debatable findings (Walker et al., 2016). While the majority of them discovered positive correlation between CSR and firm performance (Devie et al., 2019; Lin et al., 2019; Park, 2017; Zeb et al., 2021), some other studies found negative correlation (Galant & Cadez, 2017; Kao et al., 2018; Lin et al., 2019), and the rest failed to find any correlation (Devie et al., 2019; Goering, 2012; Lee et al., 2013b). Additionally, some studies revealed a combination of positive, negative, and neutral correlations between several CSR dimensions and firm performance (Han et al., 2016; Yoon & Chung, 2018). These findings exhibit that CSR studies have not yet found a consensus of CSR goals regarding firm performance. Margolis and Walsh (2003) stated that the possibility of examining the mediation condition may explain the contradictory empirical evidence.

In comparison, Galbreath and Shum (2012) discovered that an indirect correlation between CSR and firm performance is entirely mediated through the condition of the firm's external environment. Therefore, the interest in CSR regarding firm competitive advantages is directly proportional to the increase of studies focused on the correlation between CSR and the firm's external environment (Khan & Majid, 2013). Market share will affect how CSR is perceived, developed, and applied by the firm, and the procedures to impact the market share condition will be determined.

This study is based on two perspectives. The first is the instrumental perspective of CSR, which focuses on evaluating CSR activities based on the tendency to build a good reputation among stakeholders. CSR is a sophisticated marketing strategy that brings positive results to the organization. Therefore, the researchers perceived that market share could act as a mediation variable between CSR and firm performance. The second one is the integrative perspective of CSR and market share. The theoretical bases of this perspective are the stakeholder theory (Freeman, 1984) and the market-based view theory (Porter, 1980). Therefore, this study considered CSR the determinant factor in attracting customers and obtaining the firm's market share. Chang et al. (2022) stated that CSR helps the firm increase its market share. Additionally, other studies discovered that the increase in market share promotes a positive image of a firm and, consequently, increases its financial performance (Han & Lee, 2021).

CSR will improve the stakeholders' legitimacy, help the firm increase its market share and sales, and, consequently, its performance. Therefore, the researchers aimed to discover the positive correlation between CSR and firm performance and identify how far the market share can mediate between the two.

Based on the studies mentioned above, it seems that the correlation between CSR and firm performance is more complex than what has been reported by most studies. The correlation between the variables may be more intelligible if another one is present as a mediator (Margolis et al., 2007; Margolis & Walsh, 2003; Rowley & Berman, 2000; Ullman, 1985). Since market share ensures continuity in a firm's CSR activities, it can be an ideal mediator between CSR and firm performance. It was involved in the design of this study as a novelty and, thus, differentiated this study from the previous ones.

This research used the population of studies of firms enlisted in the Indonesia Stock Exchange from 2017 to 2021 since more firms consistently submitted their sustainable reports during these years. The researchers filled in the study limitation (Walker et al., 2016) with foreign empirical facts and insights regarding the correlation between firm performance and CSR disclosure. Generalization is not applicable since every country has a different CSR policy.

Furthermore, the novelty of this research is the use of market share as a variable of mediation and the evidence that firm performance can be improved by CSR disclosure through market share. Therefore, the findings provide several contributions. First, this research helps overcome the ambiguity of the correlation between CSR and firm performance. It broadens the insight of CSR through a framework describing the possibility of correlation between CSR and firm performance through using market share as a mediation variable. Second, this research encourages business organizations to carefully implement CSR programs to improve market share and firm performance.

Literature Review

Legitimacy Theory

The concept of organizational legitimacy is the source of legitimacy theory. Dowling and Pfeffer (1975) define it as a condition or status that occurs when the value system of an entity fits the value system of a more extensive social system in which the entity is part of the system. Legitimacy theory emerged due to the implication of a "social contract" between a firm and the society where the firm operates (Deegan, 2002; Deegan et al., 2000; Mathews, 1993; Patten, 1991, 1992). Social contract functions to elaborate society's expectations regarding what should be operated by an organization (Deegan et al., 2000; Mathews, 1993). Legitimacy develops in an institutional environment created by stakeholders with internal and external pressures. The organization runs through various types of legitimacy (Suchman, 1995; Zucker, 1987).

Legitimacy helps firms avoid problems and improve their values. Legitimacy theory explains that disclosure, such as annual reports, can alleviate societal concerns when firms' activities fail to meet societal expectations (Gray et al., 1995). Disclosure of a CSR program in an annual report can be seen as an attempt to fulfill societal expectations towards a firm. Lanis and Richardson (2012) considered that a firm's success and survival are determined by its CSR. Legitimacy theory in several studies is applicable to demonstrate the correlation between CSR and the financial performance of a firm (Akisik & Gal, 2014; Devie et al., 2019; P et al., 2018; Price & Sun, 2017; Usman & Amran, 2015).

Stakeholder Theory

Stakeholder theory is a concept of strategic management aiming to help corporations improve their relationship with external stakeholders and develop competitive advantages (Mardikanto, 2014). It describes which parties the firm is accountable for (Freeman, 2015; Freeman & Mcvea, 2001). It also explains that organizational operation only benefits the stakeholders without considering the firm's benefit (Mawardi, 2022). Therefore, stakeholders' support highly affects the existence of a firm.

Based on the stakeholder theory, stakeholders' satisfaction is pivotal for an organization's financial performance (Donaldson & Preston, 1995; Jones, 1995). By handling and balancing the claims from various stakeholders, a firm can increase its organization's adaptational efficiency regarding external demand, improve its reputation, and positively affect its financial performance (Freeman & Evan, 1990). CSR disclosure is expected to help a firm survive by gaining stakeholders' support by fulfilling information needs.

Market-Based View (MBV) Theory

Market-based view (MBV) theory elucidates that the factors of industry and external market determine a firm's performance (Peteraf & Bergen, 2003) since the source of a firm's value is determined by a competitive situation describing the strategic position of a product. Spanos and Lioukas (2001) stated that the MBV theory is an area of strategic management comprised of a modified theory of industrial organization. Industrial organization theory is similar to the notion that performance is determined by its industrial structure, commonly known as "structure-conduct-performance (Mason, 1939). Industrial structure comprises budgeting, diversification, product differentiation, and numbers of buyers and sellers (Scherer, 1980). Meanwhile, behavior comprises price, advertising, research and development, product, legal tactics, and investment (Scherer, 1980).

Firms attempt to improve their product or service positions in the market to survive. One of the attempts is disclosing their CSR to gain the trust of the stakeholders (Orbaningsih et al., 2017). Competitiveness increases with a high increase in stakeholders' trust in a firm. The achieved competitiveness is one of the ways to improve the firm's value (Orbaningsih et al., 2017).

Research Hypotheses

The Correlation Between CSR and Firm Performance

CSR is a voluntary attempt by a firm to integrate environmental and social awareness with businesses and stakeholders to achieve sustainability (ACCA, 2015). The stakeholder theory (Freeman, 1984) determines the correlation framework between CSR and firm performance. CSR is the stakeholders' claim to ensure that a firm does not operate merely for the interest of the shareholders but also for the benefit of the stakeholders (including the environment) in the business practice since stakeholders can affect the organizational goals.

A firm must always attempt to improve its performance to ensure the sustainability of its operation. One of the attempts is developing positive relations with various stakeholders. The CSR activities and disclosure are the attempts to take responsibility and improve stakeholders' legitimacy. Failure to do so will cause high costs and financial burdens, decreasing a firm's profit and social awareness. Contrarily, success in performing the attempt will benefit the investment of CSR programs (Lin et al., 2019).

The importance of CSR on firm performance has been documented thoroughly (Margolis & Walsh, 2003; Orlitzky et al., 2003). However, the correlations found were diverse despite the literature showing a positive correlation between CSR and firm performance. Based on this inconsistency, the hypothesis is as follows.

***H_1**: The disclosure of CSR positively affects the firm's performance.*

The Correlation Between CSR Disclosure and Market Share

A firm will apply various strategies to develop its competitive advantage and gain profits. One strategy in engaging in the practice and disclosure of CSR is to generate a distinct value from other competitors, such as improving product and service qualities in establishing a compelling reputation (Balmer, 2011; Orbaningsih et al., 2017). Previous studies have shown that CSR can bring competitive advantages in the market, strengthen relations with the stakeholders, and improve the advocacy behavior of the stakeholders (Du et al., 2010; Rhou et al., 2016).

The positive correlation between CSR and product market competition is explained based on the MBV theory (Orbaningsih et al., 2017). This theory explains that the market is a firm's focus to compete (Yang, 2015). A firm must apply strategies that can gain consumers' trust. One of the attempts to obtain it is disclosing CSR to improve competitiveness (Orbaningsih et al., 2017).

CSR activity and disclosure aim to gain stakeholders' legitimacy. Additionally, legitimacy improvement serves better competitive advantages in the product market. High competitive advantages will increase market share (Peter et al., 2014). Ogola and Dreer

(2012) reported that CSR positively affects market share. Accordingly, the hypothesis is as follows.

H_2: *The disclosure of CSR positively affects the market share.*

The Correlation Between Market Share and Firm Performance

Generally, marketing literature sees market share as an indicator of a firm succeeding in product market competition (Varadarajan, 2020). From this perspective, market share results from a firm's attempt at marketing, including advertisement, promotion, quality, price of product or service offering, customer channel and relations, and sales activities (Farris et al., 2010). Market share is the primary indicator of market competitiveness, i.e., the quality of a firm performance against its competitors (Farris et al., 2010).

A firm must be market-oriented. The MBV theory elaborates that a firm must focus on the market to compete. Influencing consumers to buy products is the main target for achieving competitive advantages in the market. Competitive advantages will increase sales; sales will increase profit, and eventually, firm performance will improve (Giroud & Mueller, 2011).

A meta-analysis by Alexander and Alexander (2018) showed a generally positive correlation between market share and a firm's economic performance. Buzzell and Gale (1987) empirically examined the correlation between market share and profitability. A study on Fortune 500 companies revealed a positive correlation between ROI and market share. Previous research has demonstrated that market share motivated firms to improve their performance. The managers could increase sales and, therefore, could compete in the market. Market competitiveness will improve firm performance (Fosu, 2013; Jiao & Shi, 2014). The hypothesis is therefore stated as follows.

H_3: *The market share positively affects the firm's performance.*

The Correlation Between CSR, Product Market Competition, and Firm Performance

Several researchers have studied the effects of CSR on various aspects of firm performance. However, the empirical results are still inconsistent (Devie et al., 2019; Hu et al., 2021; Walker et al., 2016). Other researchers (Galbreath & Shum, 2012; Margolis & Walsh, 2003; Park, 2017) questioned the mostly-used approach regarding the direct correlation between CSR and firm performance. According to them, the positive, negative, and neutral results obtained by examining the direct correlation between CSR and firm performance are not entirely reliable since the correlation is possibly affected by other intermediary factors disregarded by many researchers, as explained in the introduction above.

Therefore, disclosing further mechanisms underlying the correlation between CSR and firm performance is significant. Considering market share as a moderating variable in the correlation framework between CSR and firm performance generates better validities of conclusion and direct connection (Ogola & Dreer, 2012). Based on the MBV theory, firm behavior is highly determined by a competitive market and eventually affects performance. Ogola and Dreer (2012) emphasized that market share is essential for academicians studying the correlation between CSR and firm performance.

A survey by Cone/Ebiquity (2015) reported that 91% of global consumers expected firms to take responsibility directly; 9 out of 10 consumers tended to buy accountable products and services, and consumers tended to boycott products and services of irresponsible firms. The results of previous studies and theories indicate that a firm's value can increase or decline due to CSR activities and disclosure through market share. Market share is a mediator variable since it affects the firm's value (Hartono, 2013). Therefore, the researchers believe that market share has the potential to be an ideal mediator in linking CSR with firm performance. Hence, the hypothesis can be formulated as follows.

***H_4:** The CSR disclosure positively affects the firm's performance with market share as the mediator.*

Figure 1 Research Model

Research Method

This research used a positivist approach to solve the problems. The design employed was a causal study. While the data used were secondary, the data source covered annual and sustainable reports of firms derived from websites and the Indonesia Stock Exchange. The data were in panels, as well as a time series and cross-section data. Additionally, this research used firms enlisted in the Indonesia Stock Exchange from 2017 to 2021 as the population since more firms consistently submitted their sustainable reports during these years. The firms were sampled using nonprobability sampling with a purposive sampling technique. The criteria for the samples were non-financial sectors and consistency in reporting annual and sustainability reports from 2017 to 2021.

The dependent variable in this research was the firm performance measured by an alternative measurement to evaluate the firm performance based on the financial aspect (Walker et al., 2016) and confirm the correlation between CSR, market share, and firm performance. The measurement was based on ROA (Walker et al., 2016). ROA displays firms' short-term profitability and efficiency, describing how allocating specific resources results in the current (short-term) firms' profits. This measurement represents the firms' financial efficiency in using their assets during specific fiscal years to generate sales and show their short-term profitability (Walker et al., 2016).

Moreover, the independent variable in this research was the CSR, proxied using the Corporate Social Disclosure Index (CSDI) applied by *the Global Reporting Initiative* (GRI) and adjusted to the implementation of CSR in Indonesia. This variable was measured using the index adapted from Walker et al. (2016). The measurement was designed using the data of GRI in the sustainable report of the firms based on the significant material aspect (indicator) from the organizations or substantively affected the assessment and decision of the stakeholders, and special disclosures regarding economic, environmental, and social aspects (Walker et al., 2016). The researchers calculated the CSR values as the index by adding the number of disclosures and dividing it by the number of disclosures that should be made. If there were a disclosure of each indicator, the score would be 1 (one); if there were none, the score would be 0 (zero). This calculation generated an index of 0–100, in which 0 showed zero CSR practice, and 100 indicated the best CSR disclosure (Walker et al., 2016).

The mediator variable in this research was the market share. Market share is a significant determinant that shows the violability of market settlement and the choice of the consumers (Lee et al., 2020). Market share is a percentage of the total sales of a firm in the market over a certain period compared to another firm (Ferrier et al., 1999). The market comprises all suppliers of products or services sharing similar characteristics or considered similar by the customers and purchased for similar use.

Furthermore, the data analysis method applied in this research was the quantitative method comprising tests and verification of the validity of the theories (Sekaran & Bougie, 2017). This research aimed to examine the effects of CSR disclosure on firm performance and the ability of market share to mediate the two variables. Thus, the researchers used data analysis techniques comprising descriptive statistics, regression analysis, classical assumption test, hypothesis test, and determination coefficient. Descriptive statistics includes minimum, maximum, average, and standard deviation (Sekaran & Bougie, 2017). The regression analysis applied the multiple linear regression analysis with the Ordinary Least Square (OLS) method (Orbaningsih et al., 2017). While the classical assumption test comprised normality, multicollinearity, and heteroscedasticity, the hypothesis test applied the t-test statistics.

The analysis was initiated by designing equations and drawing conclusions on whether the variable performs full or partial mediation. The equations in the multiple linear regression analysis are as follows.

Model 1 → $KP = \alpha + \beta_1 CSR + e$ .... (1)
Model 2 → $PP = \alpha + \beta_2 CSR + e$ .... (2)
Model 3 → $KP = \alpha + \beta_3 PP + e$ .... (3)
Model 4 → $KP = \alpha + \beta_4 CSR + \beta_5 PP + e$ .... (4)

Notes:
α for Intercept (Constant), β for Regression Coefficient, e for Error/Residuals, KP for Firm Performance (Dependent Variable), CSR for Corporate Social Responsibility (Independent Variable), and PP for Market Share (Mediating Variable).

Result and Discussion

Descriptive Analysis

The descriptive analysis results in Table 1 demonstrate that the IDX-listed firms providing annual and sustainable reports with GRI from 2017 to 2021 reached an average value of 0.355, maximum value of 0.929, minimum value of 0.059, and deviation standard of 0.169. It demonstrates CSR disclosure pivoting on 0.355 ± 0.169. These results denote that the average number of CSR disclosures reached 35% (31 items). The average value was low since, in Indonesia, sustainable reports were made mandatory just in 2019. The minimum value was found to be 0.059 (5 items), and the maximum was 0.929 (79 items).

The firms' market share (PP) had a minimum value of 0.001, a maximum value of 0.914, an average market share (PP) value of 0.307, and a deviation standard of 0.281. The market share (PP) value pivoted to 0.307 ± 0.281. The data indicates a low average market share (PP) value. Based on the data search, there were firms with business sizes almost equal to those of a low industry market concentration.

The firm performance (KP) obtained an average value of 4.264, a maximum value of 52.660, a minimum value of -63.125, and a standard deviation of 12.019. The data indicate that the firm performance (KP) pivoted to 4.264 with a deviation of 12.019. It means that the firm performance (KP) level was, on average, characterized by stagnant asset management. However, based on the results of the investigation, the firms still have the prospect of investment growth.

Table 1 Descriptive Analysis Results

Variable	n	Minimum	Maximum	Average	Standard Dev.
KP	190	-63.125	52.660	4.264	12.019
PP	190	0.001	0.914	0.307	0.281
CSR	190	0.059	0.929	0.355	0.169

Notes: CSR = Corporate Social Responsibility; KP = Firm Performance; PP = Market Share

Regression Analysis

This research used multiple linear regression analysis with the OLS method based on the processed data from the IBM SPSS 26.0 application. The coefficient value of the effect of CSR disclosure on firm performance (KP) reached 0.141. The results indicate that an increase of 1 point in CSR disclosure number can increase the firm's performance to 0.141%. Additionally, the coefficient value of the effect of CSR disclosure on market share (PP) reached 0.146. The results denote that an increase of 1 point in CSR disclosure numbers can increase the market share to 0.146%.

Meanwhile, the coefficient value of the effect of market share (PP) on firm performance (KP) reached 0.244. The results demonstrate that an increase of 1 point in CSR disclosure number can increase the firm performance to 0.224%. Furthermore, the coefficient values of CSR disclosure and market share (PP) effect on firm performance (KP) reached 0.141 and 0.224, respectively. It means that a 1-point increase in CSR disclosure and market share can increase the firm's performance by 0.141% and 0.224%, respectively.

Table 2 Regression Analysis Results

	Model 1	Model 2	Model 3	Model 4
Dependent variable	KP	PP	KP	KP
Constant	-0.116 (-0.058)	0.221* (4.693)	1.049 (0.833)	-2.232 (-1.077)
CSR	0.173* (2.415)	0.146* (2.029)	-	0.141* (1.984)
PP	-	-	0.244* (3.454)	0.224* (3.153)
F-value	5.832*	4.116*	11.927*	8.024*
R^2	0.030	0.021	0.060	0.079
Adjusted R^2	0.025	0.016	0.055	0.069
Tolerance (VIF)				
CSR	1.000 (1.000)	-	-	0.979 (1.022)
PP	-	-	-	0.979 (1.022)

*Significant on alpha 5%
Notes: CSR = Corporate Social Responsibility; PP = Market Share; KP = Firm Performance

Before conducting the hypothesis tests, the researchers administered classical assumption tests comprising multicollinearity, normality, and heteroscedasticity tests, which were considered free of classical assumption.

Hypothesis Test

Table 2 demonstrates regression analysis results that later were made as the basis of the hypothesis test. The hypothesis test examines the significance of the independent variable's effect on the dependent variable. It was measured using the significance test (t-test) to determine the significance of CSR disclosure and market share's effects on firm performance. The calculated t-value was used to examine the effect of the independent variable on the dependent variable.

Based on the regression analysis results in Table 2, the first hypothesis states that CSR disclosure positively affects the firm performance. The regression test results showed that the coefficient value reached 0.173 with a t-statistic of 2.415 and a probability value (one-tailed) of 0.017. The coefficient was positive, and the absolute t-statistic (|t-statistic|) > one-tailed t-table (1.653) or the probability value < level of significance (alpha (α)=5%). In other words, CSR disclosure significantly and positively affected the firm's performance. Thus, the first hypothesis was supported.

The second hypothesis proposes that CSR disclosure positively affects the market share. The regression test results revealed that the coefficient value was 0.146 with a t-statistic of 2.029 and a probability value (one-tailed) of 0.044. The coefficient was positive, and the absolute t-statistic (|t-statistic|) > one-tailed t-table (1.653) or the probability value < level of significance (alpha (α)=5%). This means that CSR disclosure had a significant and positive effect on the market share. Therefore, support was found for the second hypothesis.

The third hypothesis put forward is that the market share positively affects the firm's performance. The regression test results uncovered that the coefficient value reached 0.244 with a t-statistic of 3.454 and a probability value (one-tailed) of 0.001. The coefficient was positive, and the absolute t-statistic (|t-statistic|) > one-tailed t-table (1.653) or the probability value < level of significance (alpha (α)=5%). The market share was shown to significantly and positively affect the firm's performance. Therefore, the third hypothesis was confirmed.

The fourth hypothesis predicts that CSR disclosure positively affects the firm's performance through market share. The regression test results demonstrated that CSR and PP coefficient values reached 0.141 and 0.224 with t-statistics of 1.984 and 3.153 and probability values (one-tailed) of 0.049 and 0.002 respectively. Based on the regression analysis results, the regression coefficient value of CSR disclosure's direct effect on firm performance reached 0.173, and the regression coefficient value of CSR disclosure's indirect effect on firm performance was 0.141. The value of the indirect effect was lower than that of the direct effect (0.141 < 0.173). Simply put, CSR disclosure significantly and positively affected firm performance, and the market share partially mediated the two variables (partial mediation). Thus, this finding provided support for the third hypothesis.

Coefficient Determination Test Results

The determination coefficient test investigates the proportion of dependent variable variation. It explains how well the regression model's independent variable explains its dependent variable's variation. The determination coefficient is measured by R-square (R^2). If the value approaches 1, the independent variable can provide information to predict the dependent variable.

Based on the regression analysis results in Table 2, the test of model 1 showed that the R-square of the firm performance variable touched 0.030, indicating that CSR disclosure contributed to the elaboration of firm performance to 3.0%. In comparison, 97.0% of the rest were contributed by other inapplicable variables. In addition, the test of model 2 denoted that the R-square of the firm performance variable was 0.021, showing that CSR disclosure contributed to the elaboration of market share to 2.1%. The rest, 97.9%, were contributed by other inapplicable variables.

Meanwhile, a test of model 3 demonstrated that the R-square of the firm performance variable was 0.060, signifying that market share contributed to the elaboration of firm performance to 6.0%. The rest, 94.0%, were contributed by other inapplicable variables. Additionally, the test of model 4 confirmed that the R-square of the firm performance variable was 0.079, indicating that CSR disclosure and market share contributed to the elaboration of firm performance to 7.9%. Other inapplicable variables contributed to the remaining 92.1%.

Research Results Discussion

The hypothesis 1 test results showed that CSR disclosure positively affected the firm’s performance (H1 was supported). The firms disclosing their CSR will improve their performance (ROA). The disclosure provides the information the stakeholders require and supports a firm's sustainability. It is an effective strategy and a competitive advantage that can increase market share and improve firm performance (Gu, 2021; Sheikh, 2018b; Siueia et al., 2019).

The results of hypothesis 1 corresponded to the findings by Price and Sun (2017), who reported a positive correlation between CSR reputation and firm value. Generally, the investors and stakeholders are positively concerned and experience a firm's social and environmental attempts, and consequently, the firm performance can be improved. (Lindawati & Puspita, 2015). It indicates that strategically, firm performance can be improved by utilizing the opportunity to target customers through the practice of CSR (Devie et al., 2019; Orbaningsih et al., 2017; Park, 2017; Walker et al., 2016; Zeb et al., 2021). The theories of legitimacy and stakeholders claim that if a firm responds to stakeholders’ expectations, the stakeholder’s trust will increase and consequently improve its performance. Gregory et al. (2014) stated that CSR disclosure is a sign of long-term value that will improve the firm performance for the stakeholders in the future.

CSR disclosure is evidence that the firm's management provides regarding the firm’s prospects (Lindawati & Puspita, 2015). Among the benefits it are higher price of shares (Devie et al., 2019; Godfrey et al., 2009; Leki & Christiawan, 2013; Luo & Bhattacharya, 2006), validation of firm’s legitimacy (Mawardi, 2022; Orbaningsih et al., 2017; Price & Sun, 2017), sales acceleration (Famiyeh, 2017; Price & Sun, 2017), and indirect public involvement to ensure the firm’s existence (Devie et al., 2019; Park, 2017).

The results of hypothesis 2 demonstrated that CSR disclosure positively affected the market share (H2 was supported). High CSR disclosure will increase market share (Ogola & Dreer, 2012; Orbaningsih et al., 2017). Additionally, the results reported that the firm’s ability to compete and dominate the market share will increase along with the rising level of CSR disclosure. This indicates that a firm must focus on the market based on the MBV theory in order to achieve competitive advantages.

In practicing CSR, a firm can gain several benefits. CSR establishes stakeholders’ stance toward a firm and helps them identify it (Chang et al., 2022; Du et al., 2010). Convincing stakeholders regarding CSR attempts can increase trust in the firm and generate product and service sales (Akisik & Gal, 2014; Famiyeh, 2017; Price & Sun, 2017). Eventually, the practice will improve customer satisfaction and increase the market share. CSR disclosure improves a firm’s reputation and facilitates branding activity to increase the market share (Orbaningsih et al., 2017).

As decision-makers, managers in firms must acknowledge the positive effects of CSR on market share, especially for firms with low market share, and use CSR accordingly. The ability to communicate their CSR attempts to the consumers will increase the market share (Khan & Majid, 2013). It indicates that taking the initiative to practice CSR and disclosing the activities affects the competitive advantages. This finding also corresponds to the previous studies reporting that CSR motivated firms to improve the firms' position in market share (Flammer, 2014; Peter et al., 2014). A previous study has also revealed a strong correlation between CSR and market share (Fredrick & Thomas, 2012). A firm's eminence in the market increases with the rising level of CSR disclosure (Fernández-Kranz & Santaló, 2010).

Additionally, hypothesis 3 stated that the market share positively affected the firm's performance. The statement corresponds to the test results stating that the market share positively affected the firm's performance (H3 was supported). The firm's performance (ROA) will increase with the rising level of market share. This result corresponds to the MBV theory, which states that competitive advantage is obtained through a market-based orientation. It supports the previous studies reporting that market share competition will motivate a firm to increase its sales and value (Amman et al., 2011; Jiao & Shi, 2014). According to Giroud and Mueller (2008), a rise in sales will increase profits and the firm's value. Kripa and Ajasllari (2016) reported that market share directly affected a firm's profitability. It will be achieved if the firm can compete in the industry and has a good market share.

Meanwhile, hypothesis 4 showed that CSR disclosure positively affected the firm's performance by mediating the market share. This statement corresponds to the results of the test reporting that the market share partially mediated the two variables. The test results revealed that hypothesis 4 was supported.

Moreover, this condition indicates that the firm's performance will improve with the rising level of CSR disclosure and eventually affect the competitiveness of the firm in the market (Walker et al., 2016). The strategies to improve firm performance are practicing and disclosing market-oriented CSR. This research corresponds to the legitimacy and MBV theories. Obtaining legitimacy will increase sales, gain more profits, and increase the firm's value (Hoopes et al., 2013; Peter, 2014).

Partial mediation refers to a condition when half of the samples show that CSR disclosure increases the firm's performance through the market share. With the market share, CSR disclosure will increase the performance of some of the firms. Meanwhile, some other firms' performance can be directly affected by the CSR disclosure without involving the market share.

Conclusion

This research aims to develop a scientific study of CSR, firm performance, and market share as mediation. The results uncovered that the firm's performance could be improved by implementing the activity and disclosure of CSR. The findings support the stakeholder's theory that a firm must increase its profits and fully take responsibility for all stakeholders. Additionally, the market share partially mediated the correlation between the CSR disclosure and the firm's performance. It indicates that CSR disclosure could improve the performance of some firms in Indonesia through market share.

Theoretically, this research finding reveals that stakeholder theory is a relevant theoretical basis for explaining the significance of CSR disclosure, especially in developing countries. The results have proven that CSR manifests a firm's commitment and social responsibility to the stakeholders. CSR disclosure is evidence provided by the management of a firm to all stakeholders, including prospective investors, regarding the firm's prospects. Therefore, it is an effective strategy and a competitive advantage to increase market share and improve the firm's performance. These findings correspond to previous studies and clarify the theories of stakeholder, legitimacy, and market-based views. Moreover, this research can contribute to better practice and disclosure of CSR. It helps the management of a firm to be more concerned about the stakeholders' demands. A firm can practice its CSR based on the suggestions to meet the requirements. CSR disclosure can be a business strategy to win the competition by increasing market share, improving firm performance, and maintaining its competitive advantage.

This research is primarily subjective due to the focus on disclosure, in which the researchers had different understandings and perspectives on the research objects during the disclosure assessment. As such, future research may involve more than one researcher. Additionally, the data collected were scarce due to incomplete information from the firms. Future research may also focus on particular sectors or broaden the samples.

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Conflicts of Interest

The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.