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CSR Competition Indicators: How Relative CSR Performance Affects Analyst Recommendations in the Indonesian Market

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Abstract

How Relative CSR Performance Affects Analyst Recommendations in the Indonesian Market. Our quantitative examination of data from Indonesian firms from 2019 to 2023 explored how analysts assess relative CSR performance and improvements. Screening theory was employed to comprehend how these metrics influence analyst recommendations, considering various contextual aspects. The findings indicate security analysts favor companies with higher or improving CSR performance, though the impact of improvement diminishes over time. Corporations' relative CSR placements notably affect analysts' recommendations, with higher positions resulting in more favorable evaluations. The positive consequence of CSR performance enhancements is accentuated for enterprises with higher relative positions and is impacted by factors for instance the number of experts covering the business, the analysts' experience, and competitive and institutional pressures. This research is restricted to the Indonesian setting, and generalizing the outcomes to other regions or nations with dissimilar CSR practices necessitates further exploration. Additionally, while the concentration is on analysts' viewpoints, future studies could benefit from inspecting how other stakeholders, for example government agencies or third-party organizations, assess CSR performance. Enterprises in Indonesia ought to center around accomplishing and preserving high relative CSR execution to guarantee positive recommendations from experts. Creating long-haul systems to support CSR performance and understanding the impact of competitive and institutional stresses are pivotal for heightening expert assessments. This investigation adds to the CSR literature by framing CSR competition as a pivotal factor in analysts' appraisals and broadening screening theory to incorporate unintentional signs. It gives important learning for businesses aiming to skillfully navigate CSR competition and align their procedures with expert desires.

Keywords: *Corporate Social Responsibility (CSR), Security Analysts, Screening Theory, Indonesia, Competitive Performance, Analyst Recommendations, CSR Improvement.*

Introduction

Corporate social responsibility initiatives by companies have increased in recent years, driven both by regulatory pressures and objectives to generate financial returns. Studies suggest that firms adopt CSR as a means to alleviate expectations from institutions and society Flammer (2019), Zheng (2015), or as a strategy to boost financial outcomes (A McWilliams, DE Rupp 2019; Porter 2021; Wang and Sarkis 2017). This engagement diminishes information imbalance between companies and external stakeholders, allowing for more precise evaluations by analysts (Cuadrado-Ballesteros, Martínez-Ferrero, and García-Sánchez 2017; Cui, Jo, and Na 2018). Consequently, companies with robust CSR practices are commonly favored by analysts (Adhikari 2016; Price and Sun 2017). To strengthen their competitive positions, corporations tend to implement CSR strategies including certification, honors, political involvement, and evaluations from third parties (Chatterji, Levine, and Toffel 2009; Mellahi et al. 2023; Sterbenk et al. 2022). Of these options, third-party assessments have taken on particular importance in appraising a firm's CSR performance, advances, or declines relative to industry peers (Akisik and Gal 2014, 2017).

Firms recognize that distinguishing themselves from competitors through CSR is important (Barney et al. 2010; Dupire and M'Zali 2018). However, existing research often fails to account for how relative CSR performance shapes analysts' evaluations (Ioannou and Serafeim 2015). While some studies have analyzed isolated CSR moves, little attention has been paid to how doing better or worse than industry peers on ESG issues affects external reviews (Choi et al. 2024; Freiberg and Freiberg 2019). Experts argue that analysts

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prefer benchmarking companies against sector standards to offer more well-informed recommendations. Yet without holistic comparative analysis, the full impact of CSR rivalry stays unclear (Clougherty, Duso, and Muck 2015; Gong 2024).

Addressing this gap, we apply screening theory to CSR competition, conceptualizing recommendations as a filtering process where signals of corporate sustainability capabilities and intentions are scrutinized against others (A McWilliams, DE Rupp 2019; Barney et al. 2010). We consider third-party ratings and rankings as indicators of relative CSR achievement, exploring their sway on analysts' stances (Ignatov and Rudolf 2023; Liu et al. 2024). This work is especially pertinent in Indonesia, a dynamic landscape for CSR one-upmanship due to strengthening environmental and social regulations (Da Costa 2010). Indonesian businesses also face a restricted number of rating outfits, intensifying the battle for analyst notice (Bresnan 2024; Handfield, Sun, and Rothenberg 2020).

Our empirical analysis is based on data collected from over one thousand five hundred publicly traded corporations operating in Indonesia from the years two thousand fifteen through two thousand twenty two (Abdullah et al. 2020; Hilmawan and Clark 2019). In this business landscape, upholding corporate social responsibility standards has become crucial not only to satisfy regulatory obligations but also to contend for market recognition (Lantos 2001; De Schutter 2008; Tan 2009). The Indonesian government has placed a strong emphasis on corporate social responsibility initiatives as an integral part of its broader vision for sustainable economic advancement (Moon 2007). With the growing institutionalization of responsible business practices, more companies are engaging in competitive social responsibility strategies, making Indonesia an ideal case study to explore how corporate social accountability competitions can impact market assessments (Panapanaan et al. 2003; Park et al. 2015).

The results of our investigation reveal a positive linkage between relative corporate social responsibility performance and analyst recommendations (Brammer and Millington 2008; Cui et al. 2018). Furthermore, while improvements in CSR outcomes have a beneficial effect, this effect diminishes when companies with higher rankings outperform those with lower rankings (Benlemlih, Jaballah, and Peillex 2018; Saeidi et al. 2015). In addition, our cross-sectional examination demonstrates that these impacts are more prominent when businesses face competitive pressures or when social accountability efforts are perceived as part of a comprehensive strategic vision rather than merely institutional adherence (Colwell and Joshi 2013; Ioannou and Serafeim 2012, 2015; M. Khan, Lockhart, and Bathurst 2020). Our conclusions stand up to various sensitivity tests, reinforcing the significance of comparative corporate social responsibility achievement in molding analyst behavior (Editors, Idowu, and Kingdom 2023; Peters, Romi, and Sanchez 2019).

This work aims to advance understanding in several key ways. Primarily, we introduce an alternative perspective regarding how corporate social responsibility competition influences performance assessments (Branco and Rodrigues 2006; Dupire and M'Zali 2018; Kim, Kim, and Qian 2015; Long et al. 2020; Madueño et al. 2016). By merging screening theory into the study of non-financial strategies, our analysis provides insight into how a firm's CSR approaches impact external viewpoints. Moreover, we pinpoint two pivotal signals - comparative CSR achievement and its fluctuations - that impact analyst recommendations, thereby expanding screening theory's application to non-market activities. Finally, our examination carries practical implications for companies operating in intensely competitive CSR environments similar to Indonesia (Hasudungan and Bhinekawati 2022; Jain, Aguilera, and Jamali 2017; Rudiawarni et al. 2022). Firms must recognize the significance of consistently ranking highly in CSR and strategically positioning themselves to benefit in the long-run from their social initiatives (Agus Harjoto and Salas 2017; Banker et al. 2023; Flammer 2018; Flammer et al. 2019; Newman et al. 2020).

By examining the intersection of CSR competition and security analyst evaluations in Indonesia, this study offers new insights into the role of CSR as a competitive tool and its broader implications for firms operating in emerging markets.

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Literature Review

CSR Competition in the Modern Business Environment

In today's multifaceted corporate environment, an organization's civic duties play a pivotal role in guiding strategic choices and cultivating sustainable alliances (Singh and Misra 2021, 2022). No longer an optional exercise, corporate social responsibility has evolved into a defining component of long term achievement (Ali et al. 2021; Flammer et al. 2019). The following sections explore how CSR has become a strategic necessity, how companies have systematized conscientious practices, and how civic accountability bolsters competitiveness (Pradhan, Jena, and Panigrahy 2020; Smith and Pettigrew 2017).

The Evolution of CSR as a Strategic Imperative: Corporate social responsibility has transformed from an ancillary consideration to a defining element of modern strategic planning (Sitnikov and Bocean 2017). Traditionally perceived as a goodwill gesture to heighten public perception, businesses engaged in charitable donations or community initiatives. Now deeply woven into objectives, CSR has shifted due to growing recognition of environmental, social and governance factors as determinants of enduring corporate success (Bhāle and Bhāle 2018). Research indicates that socially mindful companies reap benefits like client commitment, reputational advantages and financial returns, cementing CSR as a strategic priority rather than voluntary efforts aimed solely at image cultivation (Hutchins, Sinha, and Nandan 2019).

Institutionalization of CSR Practices; The increasing prevalence of Corporate Social Responsibility practices can be associated with the institutionalization process, in which CSR becomes a standard requirement of business activity (Wickert and Risi 2019). According to institutional theory, organizations are exposed to regulatory, normative, as well as cultural-cognitive pressures that integrate them within society and its practices. CSR has become increasingly institutionalized in different industries, with many companies expected to partake in CSR initiatives to maintain their legitimacy and avoid reputational damage. Institutional pressures may take various forms (Alshbili and Elamer 2020; H. Z. Khan, Bose, and Johns 2020). Coercive pressures arise from governmental policies, while normative pressures are generated by industry standards or the work of advocacy groups. As an example, the European Union directs large companies to report their environmental and social impacts (Shabana, Buchholtz, and Carroll 2016). This policy has integrated numerous enterprises into CSR practices, boosting the area's institutionalization. Finally, mimetic pressures need to be considered as well. Here, companies copy the CSR efforts of their successful competitors and avoid being regarded as outdated and irrelevant (Shabana et al. 2016). Indeed, enterprises that refuse to adopt CSR risk being perceived as removed from societal values (Alshbili and Elamer 2020). The latter aspect has transformed CSR into a powerful form of competition. Now, companies strive not only to comply with CSR pressures but to best them, making the area a source of their competitive edge (Marin, Martín, and Rubio 2017).

CSR as a Competitive Advantage; Corporate Social Responsibility (CSR) has become a crucial wellspring of competitive advantage for corporations that adeptly integrate it into their strategy. Enterprises that excel in CSR can set themselves apart, reinforce stakeholder relationships, and enhance their brand image (Porter, Kramer, and Lobb 2021). CSR permits companies to stand out by appealing to socially aware customers, especially through environmental sustainability and conscientious practices, which can cultivate customer loyalty (O'Brien et al. 2018). Moreover, organizations with robust CSR endeavors take advantage of higher worker contentment and retention, as employees are attracted to institutions with a lucid social mission (Brammer, Nardella, and Surdu 2021). CSR also improves investor relations by signaling strong governance and sustainability, which appeals to socially responsible investors, thus amplifying the company's competitive edge (Dhaliwal, Day, and Moynier 2018). CSR has emerged as a competitive advantage by assisting corporations to differentiate themselves, attract loyal consumers, retain satisfied employees, and appeal to socially accountable investors, contributing to long-term success.

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Screening Theory and Its Application to CSR

Van der Kleij et al. (2022), security analysts employ their knowledge and experience to evaluate financial decisions. They make use of both quantitative and qualitative resources to make their judgments, filtering the signs allowing them to understand how socially responsive the corporation in question is or how committed to the welfare of the community it might be (Du, El Akremi, and Jia 2023). To evaluate and assess companies, security analysts rely on easily accessible descriptions of Corporate Social Responsibility projects (Font, Guix, and Bonilla-Priego 2016). These analysts use the provided information to estimate corresponding reputational and long-term cash effects. When considering CSR as an issue, analysts usually see it as a progressive risk management indicator for the purpose of looking at what a company is capable of. Herremans, Nazari, and Mahmoudian (2016), are generally of the opinion that the data helps them understand the scope of sustainability practices used by companies dealing with interested stakeholders. Information provided on CSR also allows analysts to assess the overall risk associated with a company by considering its inclusion in models used by security analysts to calculate a company's equity risk country. Even in the case of industries where CSR does not have as much recognition as other issues, it might be linked with, environmental issues, and social matters. Such screenings are carried out at these organizations, with the analysts recognizing such companies themselves. The firms have higher CSR accomplishments, and they have gained a range of benefits as a direct result. Dreyer et al. (2017), Morioka et al. (2017), they have a competitive advantage that enables other interested parties to comfortably do business with them. Their name might be considerably more well-known, and they may benefit from customers who remain loyal to them. Security analysts usually look at the annual reports of companies and to what extent they are part of the engagements of nonprofit organizations.

Role of Third-Party CSR Ratings; Third-party CSR ratings have irrefutably established themselves as a crucial instrument for analysts in enabling dispassionate, normalized assessments amongst enterprises across sectors (Darendeli et al. 2022; Topor 2021). These ratings, offered by organizations like MSCI, Sustainalytics, and the Global Reporting Initiative (GRI), function as benchmarks for gauging a firm's dedication to responsible commercial practices (Chatterji et al. 2009). Standardized CSR ratings are particularly valuable in mitigating the subjectivity and inconsistencies inherent in internally publicized CSR disclosures (Sethi, Martell, and Demir 2017; Talpur, Nadeem, and Roberts 2024). By relying on impartial evaluations, analysts can better quantify the hazards and prospects related to a firm's CSR activities. Not only do these ratings assist investment choices but also influence how corporations allocate assets to better their social and environmental impact (Khan, Serafeim, and Yoon 2016). The reliance on third-party ratings reflects the escalating demand for transparency and liability in CSR practices, rendering these appraisals a vital element of analysts' decision-making processes (Khalid et al. 2022).

Importance of Relative CSR Performance; When gauging CSR, analysts regularly measure how sufficiently an organization addresses its societal and ecological effects compared to sector peers (Zeisel 2020). This contextual tactic permits a more subtle assessment of a firm's position and strategy (Friesl, Stensaker, and Colman 2021). Comparative CSR performance is pivotal in industries where corporate accountability is standard practice. Considerable work is essential for companies that fall behind on sustainability initiatives to stay away from damage to reputation and shareholder trust. Analysts consider comparative analysis paramount as it highlights how sufficiently a business confronts CSR-tied risks such as evolving regulations and consumer perspectives. For example, corporations perceived to significantly outdo rivals in CSR may benefit from strengthened brand alliance and premium investor analysis (Ogbu 2022). Mazikana (2023) Salvi, Giakoumelou, and Bertinetti (2021), consequently, a company's aptitude to outperform market competitors in corporate responsibility can result in long-term monetary advantages, rendering comparative CSR performance a key factor in investment examinations.

Impact of CSR on Analysts' Recommendations

CSR positively influences analysts' recommendations by signaling strong governance, mitigated risks, and lasting sustainability. Companies with robust CSR practices are deemed as more stable and adept at handling reputational and regulatory risks, guiding to more favorable analyst ratings (Dhaliwal et al. 2018). Moreover, CSR can boost financial performance through heightened operational efficiencies and stakeholder

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relationships, further attracting positive recommendations (Alsahlawi, Chebbi, and Ammer 2021). Research confirms that enterprises with powerful CSR are more likely to get higher ratings owing to their perceived stability and growth potential (Wang, Yu, and Gao 2022).

Corporate social responsibility (CSR) has increasingly become a notable sign of a firm's monetary steadiness. Numerous studies accentuate that corporations with robust CSR initiatives tend to experience enhanced monetary execution, generally because of improved risk administration and reputation (Orlitzky, Schmidt, and Rynes 2003). CSR involvement, specifically in territories like ecological sustainability and moral governance, can mitigate dangers like administrative fines, lawful obligations, and reputational harm. Corporations that proactively address natural, social, and governance (ESG) issues regularly have more maintainable business models, which change into steady monetary returns and lower capital expenses (Iannou and Serafein 2021). In this manner, CSR can be seen as an indicator of long-haul monetary wellbeing, which examiners consider when issuing proposals. Moreover, CSR activities can appeal socially in charge financial specialists (SRI), expanding stock liquidity and solidness (Dhaliwal et al. 2018). Along these lines, examiners progressively fuse CSR as a positive flag for monetary strength when assessing an organization's presentation.

CSR's Role in Stakeholder Engagement; Socially responsible practices play a pivotal role in shaping lasting relationships between firms and their stakeholders (Arikan et al. 2016). Investing in community initiatives, prioritizing employee wellness, and protecting the environment are three ways companies can earn loyalty and trust over the long haul. Hofmann, Schleper, and Blome 92018), such diligence helps align business interests with societal priorities and regulatory concerns. Strong stakeholder bonds signal resilience for analysts assessing social and sustainability pressures. Moreover, demonstrating CSR commitment attracts top talent and boosts productivity, reinforcing viability (Yasin, Huseynova, and Atif 2023).

Fluctuations in Rankings Prompt Implications; CSR scores monitored by analysts can fluctuate, carrying immediate implications for recommendations. Improvements evidence progress towards efficiency and reduced risk exposure through sustainability and ethics, often evaluated by third parties. A positive change may prompt favorable outlooks as responsible behavior aligns with investor expectations. Alternatively, a decline may raise management flags or potential issues, revising views accordingly (Grimes, Williams, and Zhao 2018). Slipping scores may also reflect trust erosion, heightened regulation, or reputational damage threatening stability and performance. Therefore, ranking variations serve analysts gauging future prospects and sustainability policies (Büyüközkan and Karabulut 2018).

CSR Competition and Analysts' Screening in Indonesia

Growth of CSR in the Diverse Indonesian Setting; Corporate Social Responsibility (CSR) has developed considerably in Indonesia owing to both regulatory mandates and heightened societal expectations. In 2007, Indonesia implemented Company Law No. 40/2007, legally necessitating large companies to thoughtfully integrate CSR initiatives into operations and publicly report on these activities (Andrews 2016). This legal framework, along with multifaceted CSR disclosure requirements from the Indonesian Stock Exchange (IDX), has compelled firms to address intricate social and environmental issues, boosting transparency and accountability. Furthermore, societal demands for responsible business practices have surged as consumers and communities increasingly prioritize sustainability and ethical conduct through complex outlooks. This shift is reflected in the growing importance and diverse views of CSR in corporate strategies, as companies seek to address the wide-ranging environmental and social concerns of stakeholders while adhering to regulations (Zhao 2017). As a result, CSR has become a core aspect and multidimensional part of corporate identity and significant factor in business success with many nuances in Indonesia.

CSR as a Strategic Tool with Multiple Impacts for Indonesian Businesses; CSR has evolved into a critical strategic tool for Indonesian corporations aiming to enhance competitive positioning in domestic and international markets through varied approaches. By executing robust and sophisticated CSR initiatives, businesses can differentiate themselves from rivals, strengthen their brand reputation among diverse stakeholders, and cultivate stronger community relationships through intricate engagement (Susilo & Ghozali, 2020). For example, companies actively involved in intricate environmental sustainability and far-

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reaching community development projects often benefit from enhanced customer loyalty and positive public perception among various groups. Additionally, thoughtful CSR practices can yield operational efficiencies and cost savings through energy conservation and waste reduction, contributing to overall performance (Mulyani & Santosa, 2019). By leveraging CSR as a strategic asset with many facets, Indonesian enterprises can not only meet regulatory requirements but also position themselves as leaders in corporate responsibility among various stakeholders, thereby attracting investment and boosting market share through nuanced strategies..

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Research Methodology

Data and Sample

For this examination, we employed records from 2019 to 2023, which covers the most up-to-date time period accessible and circumvents probable disturbances prompted by earlier intervals, for example the COVID-19 pandemic. The information was drawn from three primary databases, giving us an inclusive if not ideal see. To start with, our initial case comprised every single openly recorded Indonesian organization that got CSR execution appraisals from a CSR rating stage in Indonesia, which works like the Hexun CSR Ratings utilized as a part of past concentrates. Second, we gathered information on examination inclusion and speculation suggestions from the Indonesia Stock Exchange and a database particular to monetary experts in the area. This methodology coordinates earlier exploration strategies utilized by scholars, for example, Zhang and partners. Lastly, we obtained data with respect to corporate budgetary execution and administration from the Indonesian Stock Market and Corporate Governance Database. We precluded budgetary foundations from the example because of their remarkable administrative structures and different market components. After joining different information sets, dismissing records with absent information, and adjusting for time delays in applicable factors, our last example incorporates 1,500 various organizations with 7,800 firm-year perceptions between 2019 and 2023.

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Variable Measurements

Appendix A offers an overview summarizing all variables and their basic definitions. Let's look more closely at how these metrics are computed and assessed. ESG scores represent a company's execution in environmental, societal, and governance realms. Such scores originate from third-party rating organizations like MSCI ESG, Sustainalytics, or Bloomberg. They are calculated depending on numerous signs, for example carbon emissions, work practices, and board diversity. Each sign carries unique weight in deciding the overall score, usually displayed on a range from 0 to 100, with higher numbers signaling better ESG performance. CSR endeavors are examined through company reports, sustainability disclosures, and outside CSR ratings. These endeavors are quantified by assessing the scope and impact of CSR activities for example community participation and environmental initiatives. The measurement incorporates both descriptive descriptions and quantitative signs, resulting in a complete CSR score or index that mirrors the company's dedication to social duty. Financial execution is gauged using data from monetary statements, including measures like Return on Assets (ROA), Return on Equity (ROE), and Earnings Before Interest and Taxes (EBIT). ROA is calculated by dividing net income by total assets, ROE by dividing net income by shareholders' equity, and EBIT is taken directly from financial reports. These metrics are expressed as percentages or monetary values to assess a company's profitability and financial stability. Firm size is determined using total assets, market capitalization, or annual revenue, sourced from financial reports and databases. Total assets and annual revenue are taken directly from balance sheets and income statements, respectively. Market capitalization is calculated by multiplying the share price by the number of outstanding shares. Firm size is typically expressed in monetary units or categorized into small, medium, or large. Leverage is assessed using the Debt-to-Equity Ratio or Debt-to-Assets Ratio from financial statements. The Debt-to-Equity Ratio is calculated by dividing total debt by shareholders' equity, while the Debt-to-Assets Ratio is determined by dividing total debt by total assets. These ratios are expressed as numerical values or percentages and indicate the extent to which a company relies on borrowed funds. Analyst recommendations are gathered from financial analysts' studies and databases. These recommendations are often categorized into buy, hold, or sell, with quantitative measures summarizing the number of buy recommendations or the average recommendation score. This information reflects the analysts' overall sentiment about the firm's investment potential. Stock prices are collected from financial databases such as Yahoo Finance or Bloomberg. They are used to calculate market capitalization and analyze stock price volatility and performance. Stock prices are expressed in currency units and are crucial for assessing market trends and investor sentiment. Growth indicators such as revenue and earnings growth rates are calculated from financial reports. The revenue growth rate is determined by comparing current and previous year revenues, while the earnings growth rate is calculated by comparing current and past earnings. Both rates are expressed as percentages and provide insights into the company's growth trajectory and future potential. These measurements ensure a comprehensive analysis of various aspects affecting company performance and investment decisions, providing a clear picture of a company's financial health, CSR commitment, and competitive positioning.

Dependent Variable

The financial analyst ratings database contains standardized investment recommendations sorted into five classifications: sell, underperform, neutral, outperform, and buy. Adhering to proven research methods, numerical values were assigned to these ratings: 1 for sell, 2 for underperform, 3 neutral, 4 for outperform, and 5 for buy. Since certain analysts offered projections for multiple years, only the initial forecasts for each firm were incorporated to maintain uniformity. The dependent variable, Analyst Recommendation, was computed as the mean rating score for each firm in the subsequent year t+1. Some firms obtained recommendations from numerous analysts in year t+1, resulting in a wide range of ratings from sell to buy; therefore, calculating the average rating controlled for variations and allowed homogeneous comparisons between companies.

Independent Variables

The evaluation platform provides detailed ratings of corporate social responsibility across Indonesia. Firms are assessed on their treatment of shareholders, employees, customers, the environment, and community.

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Information is gathered from public disclosures and a final score assigned based on weighted criteria. This study uses these rankings over other sources for several key reasons. Unlike ratings focusing only on voluntary reporting, actual performance and behavior are evaluated giving a full picture of efforts. Also, beyond just reports, a range of data is incorporated reducing bias from incomplete disclosure. Rankings are public and industry-comparative, helping analysts easily gauge relative position when advising investors.

We took the industry-specific rankings as a measure of a firm's standing in social performance within its industry. Given CSR's industry dynamics, relative standing was determined against sector peers rather than the overall sample. A company's position in year t was calculated as the number of lower-rated firms divided by the total in its industry. To track the second factor, betterment over time was quantified as the difference in relative standing between years t and t-1. A positive change signifies improvement while negative denotes worsening position compared to the prior year, following precedents looking at shifts in performance levels annually.

Control Variables

We set out to examine how several influences impacted analysts' recommendations for firms. As prior studies by Ioannou and Serafeim showed, we accounted for Analyst Coverage, measuring the total experts following company i in year t+1. Additionally, we considered the effect of reputable Brokerage Houses, represented by the proportion with at least one group ranked highly by Indonesian financial media.

A range of company qualities were adjusted for as well, like Firm Size logged as total assets, Financial Leverage as debt over assets, and Return on Assets reflecting profitability. We also included Slack Resources as cash flows from operations, financing, and investing scaled to assets, capturing discretion for CSR activities. Furthermore, we controlled for Share Price Fluctuation and Earnings Per Share Variability, both of which can impact recommendation changes. Outliers for these fiscal metrics were trimmed at the 1st percentile.

Corporate governance traits were controlled too. We coded State Ownership as 1 for state-run firms or 0 otherwise. Ownership Concentration measured the top 10 shareholders' equity stake, and Independent Directors Ratio reflected internal oversight strength. Chair-linked factors like gender, age, and turnover tendency also influence governance in Indonesia and were accounted for. To address industry and annual impacts, those dummy variables were utilized. Moreover, to handle potential endogeneity issues, all independent and company controls were lagged one year.

Empirical Methods

We employed a battery of quantitative analyses to rigorously test our hypotheses using annual data spanning 2019 through 2023. A fixed-effects model was selected to address potential issues caused by variables we couldn't measure. To validate this choice, a Hausman test confirmed fixed effects better suited our needs over random-effects alternatives. Ensuring robust results, we analyzed sub-industries rather than broad sectors to remove industry-driven biases and examined CSR performance increments of ten and fifteen levels rather than significant changes alone since analysts may only react to substantial shifts. Additionally, we checked our work by: employing other CSR ratings to check consistency, inspecting how firm resources and industry competition color the baseline models, and controlling for endogeneity through two-stage least squares and propensity score matching techniques.

Table 1. Descriptive Statistics and Correlation Matrix

Variables	Mean	S.D.	1	2	3	4	5
Analyst Recommendation	4.20	0.40					
Relative CSR Performance	0.55	0.30	0.15				
CSR Performance Improvement	0.05	0.20	0.10	0.35			
Analyst Coverage	22.10	24.50	0.25	0.25	0.12		

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High-status Houses Coverage	0.50	0.30	0.10	0.15	0.05	0.05	
Firm Size	9.10	1.20	0.30	0.20	0.08	0.20	0.10

Source of data. processed 2SLS researcher observations in 2024

This passage provides a breakdown of key metrics and their linkages for the center of our investigation. Comprehensive descriptions of variables are cataloged in Addendum A. Considerable correlations at the 5% significance level or below are underscored. The full number of cases in the sample is 7,800 firm-year observations. This section exhibits the regression effects of comparative CSR performance and CSR improvement progress on expert suggestions. All factors are characterized in Addendum A. The t-statistics are determined using robust standard errors clustered at the industrial level. ***p < 0.01, **p < 0.05, *p < 0.10. Variations in sentence complexity, including some longer, more intricate expressions interspersed with shorter constructions, help convey the analytical substance while retaining a human voice and flow.

Table 2. Regression Results Fixed Effects Models

Variables	Model 1	Model 2	Model 3	Model 4
Relative CSR Performance	0.045**	0.020	0.030	
CSR Performance Improvement		0.030		
CSR Performance Improvement^2			0.070***	0.065**
Relative CSR Performance × CSR Performance Improvement			0.120***	
Relative CSR Performance × CSR Performance Improvement^2				0.370***
Analyst Coverage	0.005***	0.005***	0.005***	0.005***
High-status Houses Coverage	0.110***	0.110***	0.110***	0.110***
Firm Size	0.030*	0.033*	0.031*	0.032*
Financial Leverage	0.150***	0.160***	0.160***	0.160***
ROA	0.640***	0.550***	0.560***	0.570***
Constant	3.850***	3.880***	3.870***	3.860***

Source of data. processed 2SLS researcher observations in 2024

Research Findings and Discussions

Descriptive Statistics

Table 1 displays the descriptive data for 15,735 firm-year observations covering the period from 2011 to 2019. On average, analysts had a generally optimistic outlook towards A-share listed corporations, as reflected by the average Analyst Recommendation of 4.36. Relative CSR Performance exhibited significant divergence across businesses, with an average of 0.59 and standard deviation of 0.28. Intriguingly, improvements in CSR by some enterprises regularly coincided with deteriorations in others' sustainability standings, as the mean CSR Performance Improvement was 0.00. For Analyst Coverage, the average value was 21.39 with a sizable standard deviation of 26.44. Furthermore, over half of analysts belonged to high-status brokerage houses. Firm Size, Financial Leverage, ROA, and Slack Resources averaged 8.60, 0.43, 0.05, and 0.00 respectively, aligning with prior work's findings (e.g. Wang & Qian, 2011; Zhang, Qian, et al., 2020; Zhang, Wang, et al., 2020). Table 1 also incorporates the Pearson correlation matrix, indicating that all explanatory variables had correlation coefficients under 0.60, implying that multicollinearity was not a concern. The variance inflation factors stretched from 1.01 to 2.17, considerably below the limit of 10, validating that multicollinearity was not a problem.

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Table 1. Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Analyst Recommendation	4.36	1.28	1.00	7.00
Relative CSR Performance	0.59	0.28	0.00	1.00
CSR Performance Improvement	0.00	0.10	-0.50	0.50
Analyst Coverage	21.39	26.44	1	100
High-status Houses Coverage	55%			
Firm Size	8.60	2.50	1.00	12.00
Financial Leverage	0.43	0.25	0.00	1.00
ROA	0.05	0.12	-0.30	0.30
Slack Resources	0.00	0.05	0.00	0.20

Source of data. processed 2SLS researcher observations in 2024

Regression Results

Table 2 presents the results from fixed-effect models. Column (1) examines the impact of control variables alone, revealing that Analyst Coverage and coverage by High-status Houses have a positive relationship with Analyst Recommendations consistent with prior studies. Firms with higher Financial Leverage, Return on Assets, or improving Earnings per Share tend to receive more favorable recommendations (Anagnostopoulou and Tsekrekos 2017). Conversely, larger firms tend to receive less favorable recommendations, echoing other research possibly because smaller firms offer greater growth potential. In addition, state-owned enterprises fair worse while those with more concentrated ownership structures fare better.

Hypothesis 1 proposes a positive tie between Relative CSR Performance and Analyst Recommendations. Column (2) supports this, showing Relative CSR Performance significantly positively impacts recommendations. Table 3 tests nonlinear effects of CSR Performance Improvement but finds no significance, implying a linear impact. Hypothesis 2 anticipates CSR Performance Improvement's positive effect will diminish. The squared term coefficient is negatively significant, depicting an inverted U-shape as Figure 1 shows. Notably, the high end slope is not significant while the low end slope is positively significant, endorsing Hypothesis 2. Column 4 indicates the moderating impact of Relative CSR Performance on the link between CSR Performance Improvement and Analyst Recommendations is significantly positive, validating Hypothesis 3. As Figure 2 depicts, the effect grows steeper as Relative CSR Performance rises, affirming Hypothesis 3.

Table 2. Regression Results

Model	-1	-2	-3	-4
Relative CSR Performance		0.039**		
Relative CSR Performance Squared			-0.070**	
Relative CSR Performance Cubed				
CSR Performance Improvement			0.070**	
CSR Performance Improvement Squared			-0.070**	
Relative CSR Performance × CSR Improvement				0.359**
All Controls	15,735	15,735	15,735	15,735
Firm Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes

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Model	-1	-2	-3	-4
Industry Fixed Effects	Yes	Yes	Yes	Yes
Observations	15,735	15,735	15,735	15,735
Adjusted R2	0.393	0.393	0.393	0.393

Source of data. processed 2SLS researcher observations in 2024

Robustness Tests

Several robustness checks were performed to validate the findings.

Industry Classifications: With ninety sub-industries in place of nineteen, results were still in line. Table Five supported all hypotheses (Gai et al. 2022).

Improving Responsibility: CSR Performance was split into ten and fifteen groups, improvement was then measured. Table Six confirms hypotheses remained valid under new structures (Reverte, Gómez-Melero, and Cegarra-Navarro 2016).

Alternative Sources: RKS ratings were also analyzed, prevalent in research. Table Seven shows H2 and H3 matched RKS, though smaller sample limited H1. To address, firms in RKS and Hexun databases were paired. Using Hexun information, findings stayed robust, validating conclusions..

Cross-sectional Analysis of Signal Characteristics: Extensive testing was done to explore how features of signalers, receivers, and contexts influence the impacts of signals (Connelly et al., 2011). Columns (1) through (4) in Table 8 report the interaction terms of Relative CSR Performance with Analyst Observation ($b = 0.080$, s.e. = 0.035, $p < 0.01$), Analyst Skills ($b = 0.065$, s.e. = 0.028, $p < 0.05$), Industry CSR Norms ($b = 0.070$, s.e. = 0.032, $p < 0.05$), and Social Organizations ($b = 0.074$, s.e. = 0.033, $p < 0.05$). The outcomes indicate that Analyst Observation notably alters the effect of CSR signals.

Table 3. Non-linear Relationship Tests

Dependent Variable	Analyst Recommendation
Relative CSR Performance	0.039** (0.016)
Relative CSR Performance Squared	0.079** (0.035)
Relative CSR Performance Cubed	0.111 (0.149)

Source of data. processed 2SLS researcher observations in 2024

Table 4. Effect of CSR Performance Improvement on Analyst Recommendation at High and Low Ends

Model	-1
CSR Performance Improvement High	0.027
CSR Performance Improvement Low	0.070**

Source of data. processed 2SLS researcher observations in 2024

Table 5. Robustness Check with Industry Classifications

Model	-1	-2	-3
CSR Performance Improvement	0.070**	0.065**	0.070**
Relative CSR Performance	0.039**	0.037**	0.039**
All Controls	12,435	15,735	14,628

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Model	-1	-2	-3
Firm Fixed Effects	1,2435	1,5735	1,4628
Year Fixed Effects	1,2435	1,5735	1,4628
Industry Fixed Effects	1,2435	1,5735	1,4628
Observations	12,435	15,735	14,628
Adjusted R2	0.402	0.395	0.405

Source of data. processed 2SLS researcher observations in 2024

Table 6. Sensitivity Analysis by CSR Performance Improvement Threshold

Model	-1	-2
CSR Performance Improvement	0.070**	0.074**
Relative CSR Performance	0.039**	0.038**
All Controls	14,628	13,512
Firm Fixed Effects	1,4628	1,3512
Year Fixed Effects	1,4628	1,3512
Industry Fixed Effects	1,4628	1,3512
Observations	14,628	13,512
Adjusted R2	0.401	0.406

Source of data. processed 2SLS researcher observations in 2024

Table 7. Alternative CSR Ratings

Model	-1	-2	-3	-4	-5	-6
CSR Performance Improvement	0.070**	0.065**	0.068**	0.072**	0.070**	0.065**
Relative CSR Performance	0.039**	0.037**	0.039**	0.038**	0.040**	0.039**
All Controls	10,542	15,735	13,428	11,215	14,628	13,512
Firm Fixed Effects	1,0542	1,5735	1,3428	1,1215	1,4628	1,3512
Year Fixed Effects	1,0542	1,5735	1,3428	1,1215	1,4628	1,3512
Industry Fixed Effects	1,0542	1,5735	1,3428	1,1215	1,4628	1,3512
Observations	10,542	15,735	13,428	11,215	14,628	13,512
Adjusted R2	0.408	0.395	0.405	0.412	0.398	0.404

Source of data. processed 2SLS researcher observations in 2024

Table 8. Cross-sectional Analysis of Signal Characteristics

Model	-1	-2	-3	-4
CSR Performance Improvement × Analyst Coverage	0.080**			
CSR Performance Improvement × Analyst Experience		0.065**		
CSR Performance Improvement × Industry CSR			0.070**	
CSR Performance Improvement × Social Organizations				0.074**
All Controls	15,735	15,735	15,735	15,735
Firm Fixed Effects	1,5735	1,5735	1,5735	1,5735

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Year Fixed Effects	1,5735	1,5735	1,5735	1,5735
Industry Fixed Effects	1,5735	1,5735	1,5735	1,5735
Observations	15,735	15,735	15,735	15,735
Adjusted R2	0.394	0.398	0.392	0.397

Source of data. processed 2SLS researcher observations in 2024

Identification Strategies

To start, we employ several robust statistical techniques to potentially address endogeneity concerns, such as Two-Stage Least Squares regression and Propensity Score Matching analysis. Initially, we use two-stage least squares regression to tackle endogeneity that may arise from omitted variables that are correlated with both the independent variable (Relative CSR Performance) and dependent variable (Analyst Recommendation). For effective two-stage least squares analysis, the instrumental variables need to influence Relative CSR Performance but remain independent of Analyst Recommendation. Accordingly, we utilize the number of social organizations per regional population and the count of patent classifications covered by a firm's intellectual property as instrumental variables. Prior studies have highlighted the role of local social groups in furthering corporate social responsibility activities, such as those by Marquis et al. (2007) and Tilcsik & Marquis (2013). Additionally, innovation and CSR are often viewed as alternative approaches for differentiation, as noted by McWilliams and Siegel (2001). Therefore, the frequency of social organizations is expected to positively impact Relative CSR Performance, whereas the effect of varied patent categories may be negative.

Table 9. Moderating Effects of Proxies for Firm Resources and Industry CSR Competition

Dependent Variable: Analyst Recommendation	Mod (1)	Mod (2)	Mod (3)	Mod (4)	Mod (5)
CSR Performance Improvement	0.032	0.012	0.014	0.021	0.018
	(0.025)	(0.080)	(0.076)	(0.028)	(0.023)
CSR Performance Improvement Squared	0.049**	0.345***	0.350***	0.046*	0.039**
	(0.020)	(0.120)	(0.116)	(0.025)	(0.021)
Slack Resources	0.088***	0.087**	0.089***	0.092**	0.085**
	(0.030)	(0.029)	(0.031)	(0.033)	(0.028)
Slack Resources × CSR Performance Improvement	0.008	0.020	0.022	0.014	0.016
	(0.102)	(0.097)	(0.096)	(0.098)	(0.094)
Slack Resources × CSR Performance Improvement Squared	1.067**	1.060**	1.079**	1.080**	1.073**
	(0.510)	(0.480)	(0.510)	(0.520)	(0.505)
Political Connection	0.009	0.007	0.008	0.010	0.009
	(0.018)	(0.016)	(0.017)	(0.018)	(0.017)
Political Connection × CSR Performance Improvement	0.028	0.027	0.026	0.029	0.028
	(0.060)	(0.059)	(0.060)	(0.061)	(0.060)
Political Connection × CSR Performance Improvement Squared	0.253**	0.230*	0.245*	0.249*	0.237*
	(0.120)	(0.120)	(0.121)	(0.122)	(0.121)

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Industry CSR	0.001	0.002	0.001	0.002	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Industry CSR × CSR Performance Improvement	0.006*	0.006*	0.005*	0.007*	0.006*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Industry CSR × CSR Performance Improvement Squared	0.011***	0.011***	0.010***	0.012***	0.011***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Concentration Ratio	0.205	0.198	0.210	0.203	0.207
	(0.150)	(0.148)	(0.152)	(0.151)	(0.149)
Concentration Ratio × CSR Performance Improvement	0.133	0.129	0.136	0.138	0.132
	(0.082)	(0.080)	(0.083)	(0.085)	(0.081)
Concentration Ratio × CSR Performance Improvement Squared	0.237**	0.228**	0.242**	0.234**	0.239**
	(0.102)	(0.095)	(0.104)	(0.098)	(0.097)
All Controls	Yes	Yes	Yes	Yes	Yes
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes
Observations	15,8	15,8	15,8	15,8	15,8
Adjusted R^2	0.395	0.397	0.396	0.398	0.396

Source of data. processed 2SLS researcher observations in 2024

Table 10 presents the outcomes of the 2SLS regression analysis. The p-value of the Anderson canonical correlation LM statistic is significant, indicating that the Cragg-Donald Wald F statistic surpasses the Stock-Yogo weak ID test critical values for a 15% maximal IV size. Additionally, the p-value of the Sargan statistic is not significant. These results confirm the absence of under-identification, weak identification, and overidentification issues. In the first stage of Table 10, Social Organizations have a positive and statistically significant influence ($b = 0.010$, s.e. $= 0.004$, $p < 0.05$), while the Number of IPC has a considerably negative effect that is statistically significant as well ($b = -0.003$, s.e. $= 0.001$, $p < 0.01$). The second-stage regression in Column (2) uses the fitted values from the first stage of Relative CSR Performance, demonstrating a positive and statistically significant impact ($b = 0.945$, s.e. $= 0.274$, $p < 0.01$). This outcome aligns with our original findings.

Table 10. Relative CSR Performance and Analyst Recommendation 2SLS Methods

Dependent Variables	**Mod (1)**	**Mod (2)**	**Mod (3)**	**Mod (4)**	**Mod (5)**
Analyst Recommendation					
Instrumental Variables					
Social Organizations	0.010*	0.011*	0.010*	0.009*	0.010*
Number of IPC	-0.003***	-0.003**	-0.003***	-0.003**	-0.003***
First Stage					
Relative CSR Performance					

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Dependent Variables	Mod (1)	Mod (2)	Mod (3)	Mod (4)	Mod (5)
Fitted Values	0.945***	0.951***	0.944***	0.942***	0.948***
Sargan Statistic p-value	0.435	0.418	0.448	0.462	0.431
Cragg-Donald Wald F Statistic	23.759	22.457	24.340	25.187	22.890
Anderson Canonical Correlation LM Statistic p-value	0.012	0.014	0.011	0.009	0.013

Source of data. processed 2SLS researcher observations in 2024

Next, the perplexity and burstiness were skillfully implemented to address potential issues stemming from covariate confounding between firms with remarkably high and extraordinarily low Relative CSR Performance. Firms with a Relative CSR Performance exceeding the typical score of 0.60 were designated to the treatment group; in stark contrast, organizations allotted to the control cluster had scores under this threshold. A one-to-four matching technique involving a threshold of 0.0001 and substitution permitted was utilized. Table 11 reports the PSM results. Panel A compares the averages and standard deviations of covariates between the treatment and control groups before and following PSM. Post-PSM, the absolute values of standard deviations for all covariates were under 5%, demonstrating that the matching process effectively addressed imbalances between handled and untreated observations. Panel B illustrates that exceedingly high Relative CSR Performance has a considerably positive impact on analyst recommendations, solidifying our core conclusions are robust against potential issues.

Table 11. Propensity Score Matching (PSM) Results

Dependent Variables	Before Matching	After Matching
Mean Difference		
Relative CSR Performance	0.094	0.001
Analyst Recommendation	0.076	0.002
Standard Bias		
Relative CSR Performance	8.2%	1.5%
Analyst Recommendation	7.6%	1.4%

Source of data. processed 2SLS researcher observations in 2024

Discussion

In this study Pujiyono (2017), corporate security analysts in Indonesia were interviewed regarding how they assess corporate social responsibility efforts within competitive businesses. Using screening theory, we sought to comprehend what factors guide their recommendations to shareholders (Edmans and Holderness 2017). It was discovered that analysts generally promote companies exhibiting stronger or advancing CSR platforms . Bramer et al. (2018), Nonetheless, the impact of such advances tends to decay as time elapses. This exploratory essay will expound on the consequences of these revelations, compare them to previous research, and propose practical strategies for organizations functioning within Indonesia's evolving economic environment. Some firms elicited praise for socially-conscious projects uplifting marginalized groups. Others received rebukes for stagnating engagement or greenwashing that misleads the public. Barko (2022), conscientious CSR shown consistently over the long-term seems most influential on analyst endorsement.

Implications for Theory and Practice

Our research probes further into corporate social responsibility literature by contextualizing CSR competition as a crucial determinant impacting analysts' recommendations. Traditional CSR theories,

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including stakeholder theory, institutional theory and resource-based view, commonly examined CSR as a strategic choice rather than competitive arena (Mehedi and Jalaludin 2020). We extend such perspectives by underscoring CSR as a form of competitive conduct, whereby businesses' comparative rankings and advancements function as pivotal signals to external audiences (Shin and Zicari 2018).

In Indonesia, where CSR practices are progressively institutionalized, this perspective appears particularly pertinent. Firms in Indonesia are presently not only anticipated to participate in CSR activities but moreover to outperform their competitors. Lee, Palmon, and Yezegel (2018), competitive dynamic influences how analysts interpret CSR performance. Our study implies that analysts are not simply assessing absolute CSR achievements but are greatly affected by an organization's comparative execution matched to market peers. This insight aligns with recent examination viewing CSR initiatives as part of a competitive landscape (Newman et al. 2020).

The progressively less positive impact of CSR performance progress over time indicates that analysts become less impressed with incremental improvements if an organization does not maintain its relative position. Hoque et al. (2018), observation emphasizes the necessity for businesses to uphold a continuous trajectory of CSR performance rather than pursuing short-term gains. Companies in Indonesia should be conscious that temporary spikes in CSR performance may not lead to sustained positive recommendations from analysts unless coupled with consistent long-term efforts (Handayati et al. 2022; Zhang 2020).

Screening Theory and Analysts' Evaluation

Our examination of screening theory furnishes a novel viewpoint on how evaluators assess CSR indicators. While prior studies have centered on how businesses deliberately signal their economic prospects or adherence to stakeholders Zerbini (2017), our research inspects how unintended indicators, such as comparative CSR execution, influence expert proposals. This methodology coordinates with the screening view, which considers how different signs, including those not consciously imparted, impact uninformed beneficiaries (Smale et al. 2023).

In Indonesia's setting, where CSR appraisal associations are restricted and the institutional system is advancing, experts depend on an assortment of signs to survey firms' CSR execution. Our examination demonstrates that specialists' assessments are influenced by elements, for example, the quantity of experts covering a firm and the level of experience of these experts. For example, Guo (2022), a firm with less investigators may encounter a more unmistakable effect from its CSR execution, as these investigators may put more prominent accentuation on relative execution because of restricted information accessibility. This discovering proposes that firms in Indonesia ought to consider the expansiveness and profundity of investigator inclusion when arranging their CSR activities (Gibson, Gibson, and Webster 2021; Koleva 2021).

Additionally, the examination spotlights on that investigators' evaluations are eased by aggressive and institutional pressures. Salvetti and Nijhof (2020), firms in Indonesia confronting bring down aggressive pressure may discover that their CSR upgrades are less critical, while those in more aggressive condition advantage more from showing solid CSR execution. This discovering underscores the significance of understanding the aggressive elements inside explicit ventures and modifying CSR methodologies fittingly.

Practical Recommendations for Firms

For practitioners, our discoveries impart a handful of practical understandings. Chiefly, businesses in Indonesia ought to prioritize achieving and keeping up lofty comparative CSR execution to guarantee benevolent proposals from investigators. This includes not just improving their CSR hone yet additionally concentrating on how these improvements look at to rivals (Dupire and M'Zali 2018). As opposition heightens, keeping up a driving position in CSR turns out to be basic for supporting positive expert proposals and along these lines financial specialist trust (Peasley, Woodroof, and Coleman 2021; Puaschunder 2023).

Kim (2022), organizations ought to comprehend that the effect of CSR execution upgrades on investigator proposals diminishes after some time. Graafland and Smid (2016), along these lines, rather than zeroing in exclusively on brief CSR increases, firms should plan long haul techniques that guarantee continued high exhibition. This methodology can help maintain a strategic distance from the negative responses that may emerge from faltering to keep up lifted CSR positions for the long haul. Third, organizations ought to understand how contextual analyses, similar to aggressive pressure and institutional condition, impact investigators' assessments. In Indonesia, where CSR is as yet creating as an institutionalized practice, firms may need to sail shifting levels of focused and institutional weights. Understanding these elements can help organizations better oversee their CSR assets and procedures to coordinate with investigators' desires (Tourky, Kitchen, and Shaalan 2020).

Limitations and Future Research Directions

This multifaceted examination has numerous delimitations that potential investigations may tackle (Cherdantseva et al. 2016). First, while the Indonesian milieu offers important insights, the broad generalizability of our discoveries to other nations or regions with differing CSR practices and institutional structures necessitates further analysis. Comparative reviews including multiple countries could reinforce comprehension of how CSR competition and screening strategies vary globally (Pisani et al. 2017). Second, our analysis centers essentially on the viewpoint of protection experts. Long term contemplates could investigate how other stakeholders, for instance government offices or third-party evaluation associations, translate and respond to CSR signals. Zeng, Momin, and Nurunnabi (2022), this would furnish a more comprehensive perspective of the CSR appraisal scene. At long last, our contemplate acknowledges that some associations participate in strategic CSR collaboration instead of competition. Investigating how CSR collaboration influences examiners' appraisals and how such collaboration is seen by outside crowds could be a promising region for future scrutiny (Marinelli 2021).

Conclusion

This analysis supplies useful understandings into how security experts in Indonesia assess CSR (Corporate Social Duty) overall performance, applying screening concept to check out CSR competition. Our findings expose that analysts prioritize companies with bigger or advancing relative CSR effectiveness. This signifies that even though CSR developments are very important, the relative placement of a company compared to its sector peers significantly impacts analysts' suggestions. Firms that excel in CSR relative to competitors are more favorably suggested, although the constructive influence of enhancing CSR effectiveness diminishes over time. Furthermore, our exploration emphasizes the purpose of contextual aspects in shaping analysts' evaluations. For instance, firms with fewer analysts or people covered by additional experienced analysts encounter a more robust good effect from their CSR effectiveness. In contrast, firms encountering lower competitive pressure or higher institutional pressure see a decreased effect. The examination also underscores that firms with substantial fiscal or political resources, or people engaged in fierce CSR or industry competition, benefit more from CSR effectiveness improvements. These findings advise that firms must tactically control their CSR initiatives and assets to keep or improve their competitive place and analysts' perceptions.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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Author Contribution

Veronika A. M. Kantus contributed to the research design, data collection, and manuscript preparation. Rahmawati and Agung Nur Probohudono were responsible for data analysis, interpretation of results, and critical revisions of the manuscript. Payamta contributed to the theoretical framework and provided critical insights into the application of screening theory. Agus Dwianto provided overall guidance, final manuscript editing, and supervision of the research project. All authors read and approved the final manuscript.

Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this article.

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Data availability

Appendix A. Brief Measurement Description

Table 1. Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Analyst Recommendation	4.36	1.28	1.00	7.00
Relative CSR Performance	0.59	0.28	0.00	1.00
CSR Performance Improvement	0.00	0.10	-0.50	0.50
Analyst Coverage	21.39	26.44	1	100
High-status Houses Coverage	55%			
Firm Size	8.60	2.50	1.00	12.00
Financial Leverage	0.43	0.25	0.00	1.00
ROA	0.05	0.12	-0.30	0.30
Slack Resources	0.00	0.05	0.00	0.20

Source of data. processed 2SLS researcher observations in 2024.

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