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The Effect of Corporate Social Responsibility and Environmental Performance on Firm Performance: The Mediation of Business Competitiveness

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Abstract

The aim of this research is to assess business competitiveness as a mediating variable in the influence of corporate social responsibility and environmental performance on company performance. Data collection through this documentation method is used to obtain financial report data on manufacturing companies registered on the IDX for 2017-2021. The sample used was 444 of the 520 population of manufacturing companies in Indonesia. This research uses statistical tools Stata 20. CSR has a positive effect on business competitiveness, environmental performance has a positive effect on business competitiveness, CSR has a positive effect on company performance, environmental performance has a positive effect on company performance, business competitiveness has a positive effect on company performance and power. competitiveness is able to mediate CSR and company performance and the seventh hypothesis is rejected, namely that environmental performance has no effect on business competitiveness, this is because business competitiveness aims to achieve company profits and is not related to environmental performance and the seventh hypothesis is that business competitiveness is not able to mediate environmental performance and company performance. The limitations of this research are: Firstly, the proxy for environmental performance is only measured by the use of resources, namely air and electricity. Suggestions for future research can be to use more detailed proxies such as using primary data using interview results from companies because environmental performance can be researched more deeply and in-depth. This research only uses manufacturing companies, even though the environmental impact can also be on mining companies.

Keywords: *Corporate Social Responsibility, Environmental Performance, Business Competitiveness, Firm Perfomance.*

INTRODUCTION

In recent years, corporate activities related to corporate social responsibility (CSR), have received attention by the academic community. Until now the main goal of the Firm was to maximize wealth. However, this approach is still used by companies to maximize shareholder wealth. So, CSR does not always have to conflict with Firm performance (FP). CSR is a concept about a Firm's efforts regarding the incorporation of environmental or ecological issues into its business and its interactions with stakeholders.

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Corporate social responsibility towards the environment can be described as a Firm's contribution to making the environment of society development or a responsible Firm without much cost related to its financial performance. According to Quoquab, 2021 explains that in government regulations the most important factor is Corporate Social Responsibility (Lee et al., 2018). Companies carry out CSR activities, carry out their business in a way that is consistent with preserving the natural environment, and in accordance with various local or government environmental regulations and policies that have a vision that is related to sustainable development, producing environmentally friendly products or services, and trying to protect the environment.

This research was based on the inconsistency of previous researchers, according to Tan (2017), who stated that environmental performance has a positive effect on Firm performance because Firm environmental performance is the ability of a Firm to manage the resources within the Firm, so when management is carried out well, the Firm's performance will also This would be good, in contrast to research by Eva Horvathova (2012) which states that environmental performance has a negative effect on Firm performance because Firm performance with large carbon emissions can drain Firm finances and reduce Firm other costs and will result in decreased environmental performance.

This research tries to cover three gaps in previous research. The first gap is Chiou's (2011) finding that although environmental performance has a significant positive influence on business competitiveness, whether environmental performance influences business competitiveness or whether business competitiveness influences environmental performance needs to be confirmed by research. The second gap in this research is that from the perspective of corporate sustainable development, Post et al. (2011) said that CSR should be considered as an important issue for business operations, and the CSR scale constructed by Rahman and Post (2012) proposed that future research should increase the number of variables strongly correlated with CSR. The third gap in research is the competitive concept of business. Based on the gaps in the three studies above, CSR is a topic that is still hot to be discussed in research because it is still a concern for the government. The novelty in this research is that business competition mediates CSR, environmental performance and business performance in Indonesia.

According to research by Walsh (2017), environmental performance has an influence on business competitiveness, this is contrary to SK Singh's 2019 research which explains that environmental performance has no effect on business competitiveness because the environmental performance carried out by companies is not a measure of business competitiveness and that A measure of the success of business competitiveness can be seen from sales.

The newest thing in this research is that competitive business mediates the CSR and environmental performance variables on firm performance. Based on previous research, CSR variables are always directly linked to Firm performance, but in this research it will be offered through competitive business mediation. This research uses the basic theory of RBV because this research focuses on Firm resources in using their capabilities to improve Firm performance. This research examines the relationship between CSR, environmental performance, and business competitiveness, and Firm performance with the hope of increasing understanding of the influence of CSR on business competition. This research uses business competitiveness as mediation because business competitiveness is a measure of Firm success. M Singla (2019) One of the biggest contributions of this article is the strategy towards resources as an important thing and ending in Firm performance.

In view of CSR in research on the corporate environment of mental problems, and to enrich the discourse on CSR, this study examines the relationship between CSR, business competitive, environmental performance, and firm performance, in the hope of increasing understanding of the effect of CSR on business competitiveness.

Formulation of the Problems

1. Is there a positive relationship between Corporate Social Responsibility and business competitive?
2. Is there a positive relationship between Environmental performance and business competitiveness?
3. Is there a positive relationship between CSR and firm performance?
4. Is there a positive relationship between Environmental performance and firm performance?
5. Is there a positive relationship between Business competitiveness and firm performance?
6. Is business competitiveness able to mediate between corporate social responsibility and firm performance?
7. Is business competitiveness able to mediate between environmental performance and firm performance?
8. Is business competitiveness able to mediate between environmental perfomance and firm performance?

Literature Review dan Hypotheses

A. Resource-Based View (RBV)

Warnelfelt said the resources in question are things that can be considered the Firm's strengths and weaknesses. Firm resources are tangible and intangible assets in the Firm, for example: brand names, in-house knowledge, technology, skilled labor, trade contracts, machines, efficient procedures, capital and others. Furthermore, Rumelt (1984), Barney (1986, 1991) and Dierick Cool (1989) contributed to the development of RBV strategic management. The experts' concept focuses on Firm resources that can contribute to Firm performance. Wernerfelt (1984) explains that RBV is the basis of competitive advantage which primarily lies in a set of tangible or intangible assets of the Firm. RBV describes a Firm's ability to provide sustainable competitive advantage when resources are managed in such a way that what is produced is difficult for competitors to imitate or create, ultimately creating barriers to competition (Mahoney and Pandian, 1992). This view is supported by Peteraf (1993), who states that to transform short-term competitive advantage into sustainable advantage, Firm resources must be heterogeneous and not easily transferred. RBV theory views the Firm as a collection of resources and strengths owned by the Firm. RBV is focused on a Firm's ability to maintain a combination of resources that competitors cannot possess or build in the same way. The difference in a Firm's resources and capabilities with competing companies will provide a competitive advantage for the Firm. The RBV assumption is how a Firm can compete with other companies to gain a competitive advantage in managing its resources, according to the Firm's capabilities. RBV theory states that sustainable competitive advantage rests on organizational resources that are highly valuable, rare, inimitable and non-substitutable (VRIN) in organizational settings that have policies and procedures to exploit those resources. (Barney, 1991). Firm resources and capabilities are important in Firm strategy. These factors enable companies to develop strategic assets in their business activities. The performance of a Firm depends on internal consistency between the three elements of the "corporate triangle strategy", namely resources, efforts and organizational mechanisms, which include structure, systems and organizational processes.

RBV focuses on the Firm's ability to maintain its Firm with existing resources, in this case such as CSR, corporate CSR and environmental performance are forms of a Firm in maintaining the sustainability of its Firm. Therefore, this research uses the RBV grand theory.

B. Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a form of action to improve the economy with ethical considerations, which is accompanied by improvements in the quality of life of the community, employees and their families, as well as the community around the Firm carried out by the Firm (Chongyang Chen, 2017). The process of communicating to the community and certain groups about the social and environmental impacts carried out by the Firm is a disclosure of CSR (Owen, 1997).

CSR activities themselves can provide benefits, in the form of improving the Firm's image and attractiveness to investors, increasing sales financial analysis, and can show brand positioning, which is in line with increasing product sales and the Firm's market share. CSR disclosure has an environmental and social impact carried out by companies on stakeholders (Mathews, 1995). Therefore, the more CSR is implemented in a Firm, the Firm value will also increase.

CSR is measured using the GRI Index G3 concept, namely calculating the number of index items carried out by the Firm with a total of 79 CSR disclosure items. The more a Firm discloses about CSR, the more the Firm's value will increase and vice versa, because with CSR the Firm pays attention to other factors besides expected profits.

C Environmental Performance

Environmental performance is used to measure the results coming from business environmental protection and environmental management policies. In the ISO 14001: 2004 (2004) standard for environmental management systems, the International Organization for Standardization (ISO) sets out a definition of environmental performance. By controlling environmental factors through environmental policies, targets, and indicators a business can achieve measurable environmental management system results. In addition, Callan and Thomas (1996) said that many companies have begun to pay attention to and apply the environmental performance assessment criteria set by the Coalition for an Environmentally Responsible Environment. From the perspective of business investment, Verrecchia (1983) said that good environmental performance will reduce the Firm's future environmental costs, which is good news for investors. In addition, Porter and Van der Linde (1999) said that strict environmental regulations strengthen business environmental performance, enabling businesses to actively seek environmentally appropriate mental solutions, achieve efficient production or innovation capabilities, and thereby increase business market value. Based on the above literature, this research uses ISO 14001 (2004) as a basis for defining environmental performance as an external measure of improving public relations and corporate image, obtained by business in the process of environmental management and related activities, and internal actions reducing production costs, strengthening management internal and information communication, and regulatory awareness and understanding.

D. Business competitiveness.

Business competitiveness is the ability to produce the right goods and services, at the right price and at the right time. This means meeting customer needs more efficiently than other companies. According to Chiou (2011) business competitiveness is a Firm's ability to meet its two main needs in a sustainable manner and aims to meet customer needs and profits. This can be achieved by offering goods and services that customers value more highly than those offered by competitors. For this reason, companies must be able to detect and adapt to changes in the business environment and meet market criteria that their competitors cannot. Researchers refer to the economic meaning of competitiveness and use this term to express the economic dominance of a particular Firm over competitors in domestic and international competition (Marinic, 2008). Chajdiak et al. (2011) define competitiveness as achieving the same or better results than the competition and not being left behind. According to this author being competitive means higher or more reliable income and a better position in the market. However, it is a broader understanding of competitiveness, which addresses the relationship between economic performance and the use of financial and economic indicators. Based on the analysis of business financial indicators and their interpretation, we can assess and predict the future competitiveness of the business.

Competitiveness is synonymous with a Firm's long-term profitability and its ability to compensate its employees and provide superior returns to its owners. Long-term profitability is also important. for Buckley et al. (1988), who define competitiveness as a synonym for long-term profitability, the ability to pay employees, the ability to provide above average income for owners. In this research, business competitiveness is formulated using sales divided by total assets.

E. Firm Performance

Firm performance is a complete display of the Firm's condition over a certain period of time, a result or achievement that is influenced by the Firm's operational activities in utilizing the resources it has. Performance is a general term used for some or all of the actions or activities of an organization in a period with reference to standard amounts such as past or projected costs, on the basis of efficiency, accountability or management accountability and the like (Chao, 2018).

The Firm's performance in this research is ROE by calculating how much the Firm gives dividends to shareholders. ROE also looks at profits from the equity side, because equity is an external factor for the Firm, namely from the investors' side and investors which are also included in it due to the impact of good CSR carried out by the Firm.

HYPOTHESIS DEVELOPMENT

Relationship Between Variables of Corporate Social Responsibility, Environment Performance, Business Competitiveness and Firm Performance.

H1: CSR has a positive effect on business competitiveness.

CSR is an important thing that must be done by companies as a form of Firm concern for the environment which will more or less have an impact on the environment, with CSR carried out, business competitiveness will also be formed, this is in line with research by Nyuur et al, 2019 "CSR has become increasingly important for the competitiveness of firms" and is in line with research by Zhao et al, 2019 which states that CSR has the power to become a Firm's competitiveness, therefore in this research CSR has a positive effect on business competitiveness.

H2: Environmental performance has a positive effect on business competitiveness.

Firm that are at the forefront of investment and environmental protection have greater market competitiveness, meaning that companies can set higher prices for products, improve the Firm's image, and even sell the Firm's technology and services, which can develop new markets and gain competitive advantages as the result. At the same time, the business adopted a proactive environmental management strategy combining environmental objectives and corporate functions. Innovative environmental performance to solve environmental problems not only avoids public reprimands or fines from the government, but also improves value image, and even develops new market opportunities, which ultimately increases business competitiveness (Singh, 2019).

Therefore, in this research, environmental performance has a positive effect on business competitiveness.

H3: CSR has a positive effect on Firm performance.

CSR is an obligation that companies must carry out as a sign of concern for the environment because to a greater or lesser extent the Firm's movements will have an impact on the Firm. The hypothesis in this research states that CSR has a positive effect on Firm performance, this is in line with Sardana Research (2020) which states that the higher the CSR provided by the Firm, the higher the Firm's performance, this states that CSR can provide a good response to the community and investors in particular so that the Firm's performance also increases and Crifo (2016) said that the higher the CSR provided by the Firm, the higher the Firm's performance. This states that CSR can provide a good response to the community and investors in particular so that Firm performance also increases.

H4: Environmental performance has a positive effect on Firm performance

Tan (2017) states that environmental performance has a positive effect on Firm performance because Firm environmental performance is a Firm's ability to manage the resources within the Firm, so when management is carried out well, the Firm's performance will also be good. This is in line with this research, namely that environmental performance has a positive effect on Firm performance.

H5: Business competitiveness has a positive effect on Firm performance

Competitiveness is a Firm's ability to maintain its existence in society. If competitiveness is high then a Firm's performance will also be high. This is in line with research by Silvia Cantele (2020) which states that business competitiveness has a positive effect on Firm performance. Silvia explains that companies that have good business competitiveness will also have good Firm performance.

H6: CSR has a positive effect on Firm performance through the mediation of business competitiveness.

Businesses should not passively try to circumvent their CSR (Porter and Van der Linde 1999 ; Ravindra and Pradeep 2012). Instead, they should respond to the government in environmental protection and actively promote environmental activities, as well as transform the pressure of environmental protection into a force for improving national organizational efficiency and product quality, allowing enterprises to achieve performance goals and improve market competitiveness. In addition, an empirical study by Walsh (2017) found that environmental performance has a positive influence on business competitiveness. In other words, environmental performance is not an obstacle to business operations. On the contrary, it provides a boost to business competitiveness. Environmental improvements bring greater market competitiveness.

H7: Environmental performance has a positive effect on Firm performance through the mediation of business competitiveness.

From the perspective of environmental performance and business strategy, when businesses take direct action on environmental issues, companies can gain potential benefits. These potential benefits include improving the Firm's value image, attracting environmentally conscious consumers, achieving positive investment reviews, saving money through energy conservation, strengthening relationships with residents in nearby communities, and reducing high-value environmentally friendly products (Hutchinson 1992). Some researchers also believe that positive and sustainable business actions to improve environmental performance can increase the level of satisfaction among stakeholders, and thereby increase business competitiveness (Stock et al. 1997). Porter and Van der Linde (1999) say that businesses should consider pollution as an inefficient or wasteful practice. The right eco-friendly product design can help businesses create a competitive edge.

In addition, Goodman and Veritas (1998) stated that businesses use environmental management methods to improve environmental performance, which not only brings business opportunities, but also produces various benefits for companies that directly impact business competitive effectiveness, including reducing pollution, environmental conflicts, business risks, and production costs, improve product quality and production efficiency, utilize Firm resources effectively, and improve Firm image. Sun Ping Cuang (2016) also said that good corporate environmental performance can bring many economic benefits to companies such as more effective use of efficient raw materials, reduced costs, and improved corporate image, thereby gaining market share. From the above findings, in addition to more efficient use of raw materials, materials and energy, reduced waste, and lower costs, improving a Firm's environmental performance can also improve the Firm's image, help the business gain greater value, and increase competitive advantage in the market.

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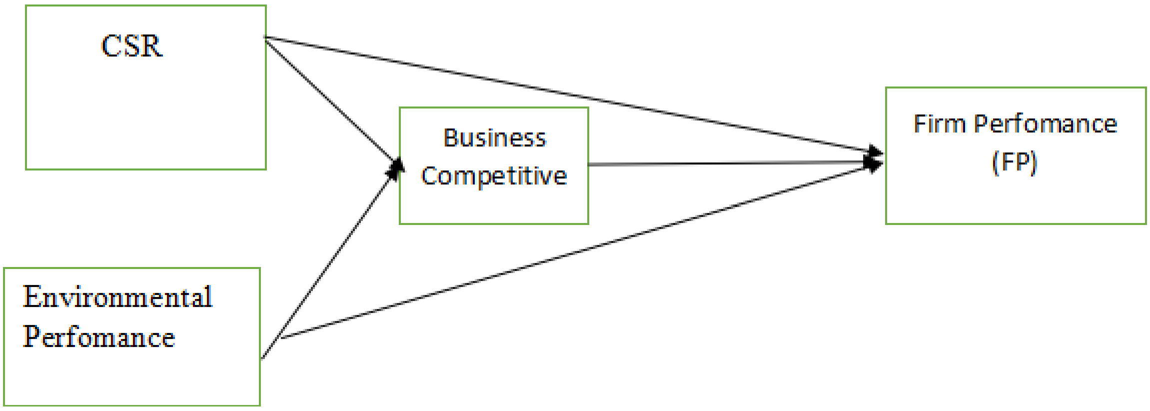
Based on the explanation above, the following hypothesis can be drawn:



RESEARCH METHODS

Method of collecting data

Data collection was carried out through documentation studies. This data collection procedure through the documentation method is used to obtain financial report data on manufacturing companies registered on the IDX.

Population and Sample

In this section, things related to research populations and samples will be explained, for example what constitutes a population, the number of population members, the size of the sample taken and the basis for determining it, the sampling method, and the location of the sample. The sample used was 444 manufacturing companies from a population of 520 manufacturing companies in Indonesia. in Indonesia in 2017-2021. Sample selection was carried out based on complete financial reports and the Firm always reported its CSR.

Independent Variable

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a Firm activity with the aim of improving the economy by paying attention to ethics and improving the quality of life of the community around the Firm and employees. CSR itself is measured using the GRI Index G3 concept, namely calculating the number of index items carried out by the Firm with a total of 79 CSR disclosure items consisting of occupational health and safety, environment, labor, energy, products, community and general involvement. The more a Firm discloses about CSR, the better the Firm's value will be.

CSR = $\frac{Total\ Item\ Disclosed}{79} x\ 100\%$

Environmental Performance

Environmental performance is a measurable result of an environmental management system, which is related to the control of environmental aspects (ISO 14004, from ISO 14001). The concept of environmental performance refers to the level of environmental damage caused by activities carried out by the Firm. A lower level of environmental damage indicates a Firm's better environmental performance. Vice versa, the higher the level of environmental damage, the worse the environmental performance. (Lankoski, 2000). According to Kao et al (2010) said that Firm satisfaction with the current increase in products with environmentally friendly designs includes the use of electricity, water and gas.

$$\boldsymbol{Environmental\,Perfomance = \frac{The\ use\ of\ electricity, water, and\ gas}{Total\,Assets}}$$

Source: Kao et al (2010)

Business Competitiveness

“Business competitiveness as a strategy that makes a business difficult to be replaced by competitors and can help maintain its profit margins (Porter and Millar 1985; Coyne 1986; Chen 2008; Chuang and Huang 2015).

The business competitiveness formula can be calculated as follows:

$$\text{Business competitiveness} = \boldsymbol{\frac{Sale}{Total\ assets}}$$

Source: Ashok Kumar Sar (2017)

Dependent Variable

Firm performance

ROE is a very important indicator for shareholders and potential investors to measure a bank's ability to obtain net profits related to dividend payments, in other words, ROE describes how much profit contributes to shareholders. This ratio can be measured by comparing profit after tax to total own capital originating from owner capital contributions, unshared profits and other reserves collected by the Firm.

The ROE formula can be calculated as follows:

$$\boldsymbol{Return\,On\,Equity = \frac{Net\,Profit\,After\,Taxes}{Shareholders\,Equity}}$$

Source: Bayraktaroglu et al.(2019)

The formula above shows that as net profit increases, the value of ROE will also increase if equity remains constant. Likewise, a decrease in net profit will reduce the ROE value, Raja Lambas (2005).

Research Model

Based on the independent variables and dependent variables above, you can use the following equation:

Equality:

$FP_{it} \quad = a_1 + b_1ECSR_{it} + b_2EP + b_3BC + e_{1it}$ ....(1)

$BC_{it} \quad = a_2 + b_2ECSR_{it} + b5Ep + e_{2it}$...................(2)

Technical Data Analysis

Data analysis was carried out using a quantitative approach. The quantitative analysis model used is adapted to the objectives and problems to be answered and the hypotheses proposed include:

Data analysis has the aim of conveying and limiting findings so that they become data that is orderly, structured and more meaningful. The data analysis carried out is quantitative analysis expressed with numbers and calculations using STATA.

DISCUSSION

From the results of data processing using Stata 2.0, the following results were obtained:

	Mean	Std	Minimum	Maximum
CSR	.8763345	.0159573	.84161	.91139
Business Competitiveness	1.017053	.3913291	.02	2.13
Environmental Performance	.0515111	.0250741	.0022097	.1271184
Firm Performance	.0897477	.0935603	-.1598644	.3326501

Table 1. Descriptive Statistics

H1: CCSR has a positive effect on business competitiveness.

BC	Coef	Std.Err.	z	P>[z]	95% conf	Interval
CSR	-2.855242	1.368011	-2.09	0.038	-5.546771	-.163713

Table 2. Test the Effect of CSR and Business Competitiveness

Based on the table above, it states that CSR has a positive effect on business competitiveness. This is in line with Juan Andres' 2017 research "CSR has become increasingly important for the competitiveness of firms" therefore in this research CSR has a positive effect on business competitiveness. CSR carried out by companies in Indonesia is something that must be done. CSR shows how a Firm maintains its continuity and will have an impact on the Firm's competitiveness. This is in accordance with the grand theory, namely RBV, which explains that companies do things that are sustainable for the Firm's future sustainability.

H2: Environmental performance has a positive effect on business competitiveness.

BC	Coef	Std.Err.	z	P>[z]	95% conf	Interval
EP	.7256964	.8728741	0.83	0.406	-.9851055	2.436498

Table 3. Test of the Effect of Environmental Performance and Business Competitiveness

Based on the table above, it shows that environmental performance has no effect on business competitiveness, the hypothesis in this research is rejected. This is in line with SK Singh's 2019 research explaining that environmental performance has no effect on business competitiveness because the environmental performance carried out by a Firm is not a measure of business competitiveness, the measure of business competitiveness is seen from the Firm's ability to gain profits in sales. This is not in accordance with the grand RBV theory which states that a Firm's competitiveness is influenced by the Firm's sustainability.

H3: CSR has a positive effect on Firm performance.

FP	Coef	Std.Err.	z	P>[z]	95% conf	Interval
CSR	.6085502	.3047228	2.00	0.047**	.0090081	1.208092

Table 4. Test of the Effect of CSR and Firm Performance

Based on the table above, it shows that CSR has a positive effect on Firm performance. The hypothesis in this research is accepted and is in line with Steward R's 2017 research explaining that CSR has a positive effect on Firm performance. CSR is a Firm's activities that are integrated with the environment and society without ignoring profits. With CSR, the Firm's sustainability is also good and the Firm's performance is also good. This is in line with R Bocquet's 2017 research which states that CSR has a positive effect on Firm performance because CSR is the best way for companies to show their social responsibility to society because people see the facts that are happening around them.

H4: Environmental performance has a positive effect on Firm performance

FP	Coef	Std.Err.	z	P>[z]	95% conf	Interval
KL	.8597996	.1870191	4.60	0.000	.4932489	1.22635

Table 5. Test of the Effect of Environmental Performance and Business Competitiveness

Based on the table above, it shows that environmental performance has a positive effect on Firm performance. The hypothesis in this research is accepted and is in line with research by Siow Hooi Tan (2017) which states that environmental performance has a positive effect on Firm performance. Companies must be able to improve their environmental performance so that a positive image of society is formed and this can improve Firm performance. Good management or use of resources such as adequate use of water, gas and electricity can influence Firm performance. The Firm's environmental performance is also another fundamental factor that can increase Firm value. The better the form of adequate use of resources, the Firm will continue to preserve the environment and the Firm's image will improve. This happens because the Firm has been able to fulfill its social contract or legitimacy towards the community, so that its existence is responded positively by the community.

H5:Business competitiveness has a positive effect on Firm performance

FP	Coef	Std.Err.	z	P>[z]	95% conf	Interval
BC	.0946759	.0124257	7.62	0.000	.0702283	.1191235

Table 6. Test of the Effect of Business Competitiveness and Firm Performance

Based on the table above, it shows that environmental performance has a positive effect on Firm performance. The hypothesis in this research is accepted and is in line with research by Silvia Cantele (2020) which states that business competitiveness has a positive effect on Firm performance. This research explains that companies that have good business competitiveness will the Firm's performance is also good. The results of this research are also supported by M Singla's 2019 research explaining that business competitiveness has a positive effect on Firm performance. This research explains that a Firm's high business competitiveness will have an impact on the Firm's performance. This competitiveness can be assessed from the sales results or output of the Firm. And this is in line with the grand theory of this research, namely RBV, namely that a Firm is able to compete with other companies seen from the Firm's competitive advantage or sales competition.

H6: CSR has a positive effect on Firm performance through mediating business competitiveness.

Indirect effects

FP	Coef	Std.Err.	z	P>[z]	95% conf	Interval
CSR	-.2703226	.1338527	-2.02	0.043**	-.532669	-.0079761

Table 7. Test of the Effect of CSR, Firm Performance and Business Competitiveness

Based on the table above, it shows that business competitiveness is able to mediate CSR and Firm performance. In this research, there is mediation using competitiveness because the impact of CSR cannot have a direct impact on Firm performance, therefore this research offers mediation, namely business competitiveness, business competitiveness. is the Firm's ability to maintain the continuity of the Firm, the continuity of the Firm can be seen from how the Firm carries out CSR.

H7: Environmental performance has a positive effect on Firm performance through the mediation of business competitiveness.

Indirect effect

FP	Coef	Std.Err.	z	P>[z]	95% conf	Interval
EP	.0647503	.0783662	0.83	0.409	-.0888447	.2183453

Table 8. Test of the Effect of Environmental Performance, Firm Performance and Business Competitiveness

Based on the table above, it explains that business competitiveness is unable to mediate environmental performance with Firm performance. Environmental performance carried out by companies is able to have a direct impact on Firm performance without the need for mediation.

CONCLUSION AND LIMITATION

The research results show that corporate social responsibility can be a Firm's responsibility to improve its performance. Companies voluntarily have social responsibility as an object of observation to maintain a sustainable business that involves social issues, the role of society and the Firm environment in improving Firm performance. The results of the research show that this research has 7 hypotheses, the first hypothesis is that CSR has a positive effect on business competitiveness, the second hypothesis is that environmental performance has a positive effect on business competitiveness, the third hypothesis is that CSR has a positive effect on Firm performance, the fourth hypothesis is that environmental performance has a positive effect on Firm performance, The fifth hypothesis is that business competitiveness has a positive effect on Firm performance. The sixth hypothesis: CSR has a positive effect on Firm performance through the mediation of business competitiveness and the seventh hypothesis: Environmental performance has a positive effect on Firm performance through the mediation of business competitiveness.

The five hypotheses were found to be accepted but the second hypothesis and the seventh hypothesis were rejected, namely that environmental performance has no effect on business competitiveness, this is because business competitiveness aims to achieve Firm profits and not with regard to environmental performance and the seventh hypothesis is that business competitiveness is not able to mediate environmental performance and Firm performance, based on the results of Firm data analysis in Indonesia, shows that, by adopting corporate social responsibility, they can reduce environmental damage with the efforts and funds provided by the Firm for the environment and improve the Firm's image in the eyes of the public. The research results show that corporate social responsibility can improve environmental performance and Firm performance in implementing programs related to society and the environment. By adopting corporate social responsibility, companies in Indonesia can reduce production costs because there is no disruption to work activities from the community around the Firm, and energy consumption is decreasing. The study results show that corporate social responsibility can be a mainstay of Firm performance. The Firm's corporate social responsibility can have an impact on the Firm's level of environmental empowerment in terms of sustainability. Corporate social responsibility programs run by companies directly influence Firm performance. The Firm's ability to carry out corporate social responsibility programs will involve managing the Firm together with the community and collaborating with suppliers to maintain stable business continuity. Corporate social responsibility is important for companies in empowering communities and connecting with other organizations to build good partnerships. Based on research findings from the seven hypotheses, government policies that require large companies to engage in corporate social responsibility are needed. Government policies can help businesses by allowing them to take advantage of annual tax deductions. Another thing the government can do is grant some subsidies for products made by companies that can consistently practice corporate social responsibility. To maintain environmental sustainability, companies must have an environmental impact analysis certificate from the government. Research on the substantial effects of a planned business or activity on the environment is required as one of the prerequisites for the decision-making process about business operations by obtaining a certificate, in accordance with government policy.

Several limitations were identified in this study. Firstly, the proxy for environmental performance is only measured by the use of resources, namely water and electricity. Suggestions for future research can be to use more detailed proxies such as using primary data using interview results from companies because environmental performance can be studied more deeply and secondly, this research only uses only manufacturing companies, even though the environmental impact can also be on mining companies.

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