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THE EFFECT OF DIGITAL TECHNOLOGY AND CORPORATE SOCIAL RESPONSIBILITY (CSR) ON THE FINANCIAL PERFORMANCE OF MANUFACTURING COMPANIES WITH FINANCIAL FLEXIBILITY MODERATION

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Abstract:
The development of digital technology is now an integral part of modern business strategies and is driving transformation in the manufacturing sector. Companies are increasingly expected to engage in continuous Corporate Social Responsibility (CSR) initiatives as part of maintaining constructive interactions with their stakeholders. This research investigates how digital technology adoption and CSR practices influence financial performance, while also assessing whether financial flexibility moderates these relationships, using a sample of manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. The study employs a quantitative associative design with purposive selection, resulting in 125 observed firms. Data were processed using Moderated Regression Analysis (MRA) with Eviews 13. The findings reveal that digital technology does not exert a meaningful or positive contribution to financial outcomes, as its effect is negative and statistically insignificant. In contrast, CSR activities demonstrate a significant positive association with financial performance. Financial flexibility itself is shown to negatively and significantly affect financial performance. Moreover, financial flexibility fails to enhance the influence of digital technology on financial performance but does amplify the impact of CSR. Overall, the evidence indicates that CSR initiatives, when supported by robust financial flexibility, can serve as a strategic asset that elevates organizational performance and strengthens competitive positioning.

Keywords: Digital Technology, Corporate Social Responsibility, Financial Flexibility, Financial Performance

INTRODUCTION

The development of digital technology is no longer considered an option, but rather an integral part of modern business strategy. In this era of increasingly rapid technological development, technology has become an essential requirement for companies to survive and compete amidst global market changes (Sharma et al., 2024). The advancement of digital technologies has emerged as a central catalyst for organizational transformation across numerous industries, particularly within the manufacturing domain. The implementation of digital technology in companies not only improves operational efficiency but also encourages product innovation, service quality, and managerial transparency, all of which may ultimately shape the firm's financial outcomes as suggested by Mu et al. (2025).

Beyond technological aspects, companies are currently also faced with demands to implement sustainable social responsibilities through Corporate Social Responsibility (CSR). CSR is not only considered a form of compliance with company regulations but also a corporate strategy to create long-term value and maintain good relationships with stakeholders (Handayani et al., 2020). Effective execution of CSR initiatives has the potential to enhance corporate image, strengthen

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consumer commitment, and contribute to overall organizational performance. This perspective reinforces the notion that firms bear obligations that extend beyond generating returns for shareholders, encompassing responsibilities toward society and the environment. Consequently, CSR becomes an essential pillar in fostering long-term business continuity, especially within the manufacturing industry, which frequently encounters environmental and social challenges (Uyun et al., 2024).

However, the influence of digital technology and CSR on a company's financial performance is not always linear but can vary depending on the company's internal characteristics. One variable that may influence the strength of this relationship is financial flexibility, representing a firm's capacity to withstand funding constraints and economic pressures (Wu et al., 2025). Organizations possessing strong financial flexibility generally have wider room to invest in technological advancements and maintain continuous CSR initiatives without placing their financial stability at risk. Furthermore, company size also influences the effectiveness of digital social strategy implementation. Larger companies typically possess stronger resources in terms of financing, organizational structure, and technological capabilities, making them better equipped to absorb change and adapt to social demands (Wahyuni et al., 2023).

Prior empirical findings reveal a noticeable inconsistency concerning the interplay between digital technology, Corporate Social Responsibility (CSR), and financial flexibility in shaping financial performance. Usai et al. (2021) reported that disclosures related to digital technology contribute significantly and positively to firms' financial outcomes, whereas Pane et al. (2024) identified no meaningful effect. In the domain of CSR, Cahyawati and Azizah (2024) confirmed a strong positive relationship attributed to enhanced public perception and stakeholder trust, while Dewi et al. (2025) observed a positive but statistically insignificant influence, arguing that CSR returns tend to materialize over longer time horizons. Concerning financial flexibility, Butt et al. (2023) demonstrated that greater flexibility boosts performance through improved investment efficiency, yet Erin and Yuniarwati (2025) found the opposite, noting that idle flexible funds had not been allocated productively. These contradictory conclusions highlight a persistent research gap that warrants deeper examination, particularly within the framework of the Resource-Based View (RBV), which posits that organizational resources—such as technological capability, CSR engagement, and financial flexibility—contribute to superior performance only when managed strategically to yield sustainable competitive advantage.

Resource-Based View (RBV) Theory. From the perspective of the Resource-Based View, organizational assets—whether physical or non-physical—are considered strategic drivers of competitiveness when they possess characteristics such as uniqueness, high utility, resistance to imitation, and the absence of viable substitutes. One of a company's strategic resources is digital technology, which can improve long-term financial performance and drive innovation and efficiency. Digital technology is crucial for manufacturing companies focused on cost control and production efficiency because it enables system integration, improved data accuracy, and operational cost savings (Situmorang et al., 2023).

Digital Technology. Digital technology has become an essential part of modern life, transforming the way people learn, work, and communicate. Digital technology theory focuses on understanding how digital systems, which process data using binary numbers, function and evolve. Furthermore, this theory explains how digital technology impacts society and how variables influence the acceptance and use of that technology by individuals and organizations. By understanding this theory, we can be wiser in adopting and developing digital technology for advancement in various fields (Putrawangsa & Hasanah, 2018).

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Corporate Social Responsibility (CSR). Corporate Social Responsibility (CSR) is a concept of social responsibility inherent in a company's activities towards the environment and surrounding communities. CSR is not only considered a moral obligation but also a corporate strategy to build a good reputation, increase customer loyalty, and create positive relationships with stakeholders. In the context of manufacturing companies, CSR implementation can be realized through various activities such as environmentally friendly waste management, energy conservation, involvement in social activities, and fair treatment of employees (Velte, 2022).

Financial Performance. Financial performance represents a fundamental measure of how well an organization succeeds in producing earnings while managing its resources in an effective and efficient manner. One of the most commonly used metrics is Return on Assets (ROA), as it provides an overview of how optimally a firm leverages its total asset base to generate profit (Purwanti, 2021).

Financial Flexibility. Financial flexibility denotes an organization's capacity to adapt swiftly and effectively when confronted with unforeseen shifts in cash availability or emerging investment prospects. This concept is particularly important in the real world, where markets are imperfect and various financing frictions exist, such as transaction costs, asymmetric information, or limited access to credit (Irian et al., 2022).

The Impact of Digital Technology Implementation on Corporate Financial Performance. Within the framework of the Resource-Based View (RBV), firms can secure competitive superiority by leveraging strategic assets—one of which is digital technology—whose distinctive characteristics make it challenging for rival companies to replicate (Willie, 2024). The implementation of digital technology enables companies to optimize business processes, accelerate information flow, and enhance the quality of managerial decisions, ultimately contributing to stronger financial outcomes (Susanto & Putra, 2024). Irwansyahputra & Khairot (2025) emphasize that the implementation of digital technology can increase effectiveness, efficiency, and productivity through good system integration. The principle of "appropriate" adoption of digital technologies has the potential to generate favorable improvements in organizational performance., because technology plays a partner in supporting capacity building and achieving organizational goals. This finding aligns with the study conducted by Lantip (2023), which reports that digital transformation contributes positively to firms' financial outcomes through gains in operational efficiency, enhanced product development, and broader market reach. Consequently, organizations that proactively integrate digital technologies generally demonstrate stronger profit-generating capacity relative to their asset base, as reflected in higher Return on Assets (ROA).

H1: Implementation of Digital Technology Has a Positive Impact on Company Performance.

The Influence of Corporate Social Responsibility (CSR) on Company Financial Performance. CSR plays a crucial role in building a company's reputation, increasing consumer loyalty, and strengthening relationships with stakeholders. According to Stakeholder Theory, organizational accountability extends beyond shareholders to encompass every group affected by corporate operations. As a result, addressing social and environmental concerns becomes a strategic necessity for securing societal approval and maintaining organizational legitimacy (Rasuljon, 2025). Velte (2022) states that effective CSR implementation can increase public trust and positive market perceptions of the company. Good CSR can strengthen relationships with stakeholders and create a positive reputation, which ultimately impacts improved company performance and value. This finding is in line with the view that CSR functions as a strategic mechanism for building long-term competitive advantage by enhancing public image and trust.

H2: CSR has a positive effect on company financial performance.

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The Role of Financial Flexibility in Moderating the Impact of Digital Technology on Financial Performance. Financial flexibility represents the firm's capacity to navigate uncertain conditions by adjusting the management and allocation of its financial resources. Companies with high flexibility tend to be more prepared to invest in digital technology and face the risks of its implementation. It also strengthens the effectiveness of the company's financial and investment strategies (Irian et al., 2022).

H3: Financial flexibility strengthens the positive influence of digital technology on a company's financial performance.

The Role of Company Size in Moderating the Effect of CSR on Financial Performance. Firm size has the potential to amplify the influence of Corporate Social Responsibility (CSR) on financial outcomes. Larger organizations generally experience a stronger beneficial effect of CSR initiatives on their financial performance. It is because large-scale companies are generally more active in disclosing their social activities, which ultimately improves their image and investor trust (Jekwam & Hermuningsih, 2018).

H4: Company size strengthens the positive influence of CSR on a company's financial performance.

METHODS

This research employs an associative quantitative design to investigate how digital technology and Corporate Social Responsibility (CSR) influence financial performance, while also assessing the moderating role of financial flexibility. The study encompasses all manufacturing firms listed on the Indonesia Stock Exchange (IDX), from which 125 companies were chosen through a purposive sampling approach. The data were collected using a documentation method, drawing information from annual corporate disclosures and publicly available IDX records. Analytical procedures included a series of classical assumption tests—covering normality, multicollinearity, heteroscedasticity, and autocorrelation—followed by hypothesis evaluation using Moderated Regression Analysis (MRA) to capture both the direct effects and the moderating interactions among the examined variables.

RESULT AND DISCUSSION

Descriptive Statistics.

Table 1. Descriptive Statistics Test Results

	X1	X2	M	Y
Mean	61,25709	75,60000	0,699544	4,483743
Median	57,14280	80,00000	0,561900	4,456700
Maximum	100,0000	100,0000	7,731600	94,35680
Minimum	14,28570	10,00000	-8,554400	-94,88970
Std. Dev.	22,79196	22,12137	1,743574	14,79958
Observations	125	125	125	125

Source: Eviews 13 Output, Data processed 2025

The descriptive assessment of 125 data points indicates that the Digital Technology variable (X1) records a mean of 61.26 with a dispersion of 22.79. Its observed values span from a minimum of 14.29 to a maximum of 100. The Corporate Social Responsibility variable (X2) demonstrates an average score of 75.60 and a standard deviation of 22.12, with values distributed between 10 and 100. The Financial Flexibility variable (M) presents a mean value of 0.70 and a variability of 1.74,

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ranging from –8.55 to 7.73. As for the Financial Performance variable (Y), the mean stands at 4.48 with a standard deviation of 14.80, and its values vary broadly from –94.89 to 94.36.

Stationarity Test. A stationarity test is employed to assess whether a time-series dataset maintains stability in its mean, variance, and covariance throughout the observation period. To evaluate this property, researchers commonly utilize procedures such as the Augmented Dickey–Fuller (ADF), Phillips–Perron (PP), and Kwiatkowski–Phillips–Schmidt–Shin (KPSS) tests. If the data is non-stationary, transformations such as differentiation, logarithmization, or detrending are usually performed to stabilize the data and prepare it for further analysis (Basuki, 2021).

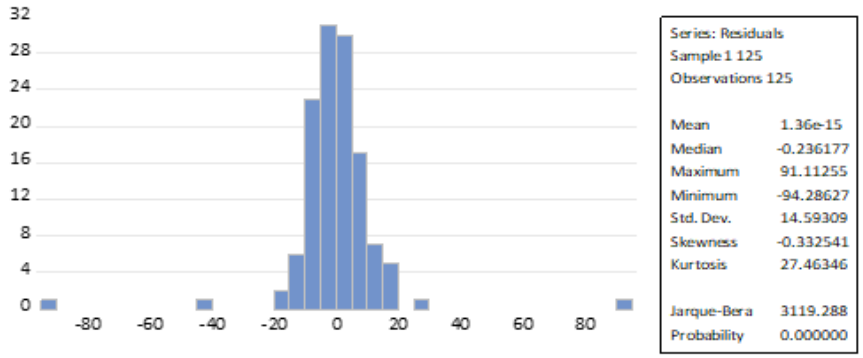
Table 2. Stationarity Test Results

No	Variable	Probability	Information
1.	Financial performance (Y)	0,0000	Stationary At Level Level
2.	Digital Technology (X1)	0,0000	Stationary At Level Level
3.	Corporate Social Responsibility (X2)	0,0000	Stationary At Level Level
4.	Financial Flexibility (M)	0,0000	Stationary At Level Level

Source: Eviews 13 Output, Data processed 2025

The Augmented Dickey–Fuller (ADF) test conducted at the level stage with a 0.05 significance threshold shows that all variables examined—Financial Performance (Y), Digital Technology (X1), Corporate Social Responsibility (X2), and Financial Flexibility (M)—produce probability values of 0.0000, which fall below the 0.05 cutoff. This outcome confirms that each variable is stationary at the level, indicating the absence of unit-root issues in the dataset. In practical terms, the mean and variance of these variables remain stable over the entire observation period and do not exhibit any systematic directional movement or persistent temporal pattern.

Normality Test. The normality test is applied to verify whether the regression residuals follow a normal distribution, which is essential to obtain unbiased parameter estimates and valid hypothesis testing outcomes. This assessment employs the Jarque–Bera (JB) statistic at a 5% significance threshold. Residuals are deemed normally distributed when the significance (Sig.) value exceeds 0.05 and the P–P plot points align closely with the diagonal reference line. Conversely, a Sig. value of 0.05 or below suggests that the residual distribution deviates from normality (Nani, 2022).



Source: Eviews 13 Output, Data processed 2025

Figure 1. Normality Test Results

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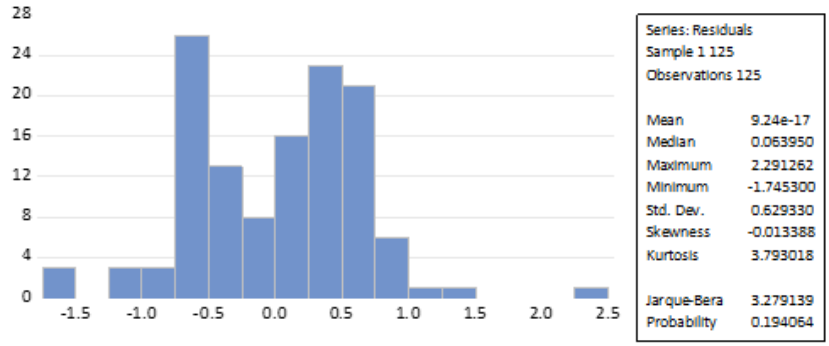
The purpose of the normality test is to assess whether the regression residuals follow a normal distribution, which constitutes one of the key assumptions in classical linear regression analysis. The Jarque–Bera (JB) test produced a JB statistic of 3119.288 with a probability value of 0.000000, which falls below the α = 0.05 threshold. This outcome demonstrates that the residuals deviate from normality, indicating that the normality assumption is not satisfied. Therefore, to overcome the non-normal results, data transformation was carried out into logarithmic form.



Source: Eviews 13 Output, Data processed 2025

Figure 2. Normality Test Results After Correction

After transforming the data into logarithmic form, the Jarque-Bera (JB) test results showed a value of 3.279 with a probability value of 0.194—exceeding the α = 0.05 threshold—indicating that the residuals follow a normal distribution and, therefore, satisfy the normality requirement of the regression model.

Multicollinearity Test. The purpose of the multicollinearity test is to verify that the independent variables do not exhibit excessively high intercorrelations. A regression model is considered free from multicollinearity when the Tolerance value exceeds 0.10 and the Variance Inflation Factor (VIF) remains below 10. In contrast, a Tolerance value at or below 0.10 or a VIF of 10 or higher signals the presence of multicollinearity, which may undermine the credibility and stability of the regression estimates (Nani, 2022).

Table 3. Multicollinearity Test Results

Variable	VIF
Digital Technology (X1)	9,470680
Corporate Social Responsibility (X2)	9,480498
Financial Flexibility (M)	1,003282

Source: Eviews 13 Output, Data processed 2025

Referring to the multicollinearity assessment presented in the preceding table, the VIF values for Digital Technology (X1) are 9.470680, Corporate Social Responsibility (X2) is 9.480498, and Financial Flexibility (M) is 1.003282. The VIF values for all three independent variables are below the threshold of 10, although two of them (Digital Technology (X1) and Corporate Social Responsibility (X2)) are close to this value. Thus, it can be inferred that the regression model is free from problematic multicollinearity, allowing all independent variables to be incorporated into the

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analysis without generating estimation distortions arising from linear interdependence among predictors.

Heteroscedasticity Test. This test aims to ensure constant residual variance across all predicted values. The Glejser procedure is applied to identify the presence of heteroscedasticity in the model. A model is considered free from heteroscedasticity when the significance value produced by the Glejser test exceeds 0.05 and the points on the scatterplot are randomly distributed around the zero line without any particular pattern (Sugiyanto et al., 2022).

Table 4. Heteroscedasticity Test Results

Dependent Variable: ABSRESID				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0.405303	0.097553	4.154706	0.0001
LOG_X1	0.101948	0.154680	0.659088	0.5111
LOG_X2	-0.040111	0.138863	-0.288851	0.7732
LOG_M	-0.008072	0.060190	-0.134107	0.8935

Source: Eviews 13 Output, Data processed 2025

Based on the Glejser test results, the probability values for the variables LOG_X1 (Digital Technology): 0.5111, LOG_X2 (Corporate Social Responsibility): 0.7732, and LOG_M (Financial Flexibility): 0.8935. All probability values exceed the $\alpha = 0.05$ threshold, indicating that the independent variables do not exhibit a significant effect on the absolute residuals (ABSRESID). Therefore, no signs of heteroscedasticity were found in this regression model.

Autocorrelation Test. The autocorrelation test is conducted to confirm that residuals from one observation are not correlated with those from another. This evaluation relies on the Durbin–Watson (DW) statistic, where a value between 1.5 and 2.5 suggests that the model is free from autocorrelation. A DW score below 1.5 signals positive autocorrelation, whereas a value exceeding 2.5 indicates negative autocorrelation. Although the data used is cross-sectional, this test was still performed to avoid the possibility of systematic errors in the model (Sugiyanto et al., 2022).

Table 5. Autocorrelation Test Results

dL	4-dL	dU	4-dU	Durbin-Watson stat
1,6592	2,3408	1,7574	2,2426	1,711104

Source: Eviews 13 Output, Data processed 2025

The estimated model produces a Durbin–Watson (DW) statistic of 1.711104, using 125 observations (n = 125) and three independent variables (k = 3). When compared with the Durbin–Watson critical bounds, the lower limit (dL) is 1.6592 and the upper limit (dU) is 1.7574. With a DW value of 1.711, the DW position is between dL (1.6592) and dU (1.7574), i.e., dL < DW < dU. Based on these criteria, this result falls within the inconclusive region, meaning that statistically, it cannot be concluded with certainty whether the model experiences positive autocorrelation. Therefore, to address this issue, the model was improved by adding a dependent lag variable to the regression model estimation.

Table 6. Autocorrelation Test Results After Improvement

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dL	4-dL	dU	4-dU	Durbin-Watson stat
1,6409	2,34591	1,7739	2,2261	1,994161

Source: Eviews 13 Output, Data processed 2025

The results of the autocorrelation assessment after revising the model show that introducing the lagged dependent variable LOG_Y(–1) effectively eliminated the autocorrelation issue. The updated estimation produces a Durbin–Watson statistic of 1.994, based on 124 observations (n = 124) and four independent variables (k = 4) after incorporating LOG_Y(–1). Referring to the Durbin–Watson critical values, the upper bound (dU) is 1.7739, which gives a complementary value of 2.2261 for the range (4 – dU). Because the computed DW value lies between these two bounds—specifically, 1.7739 < 1.994 < 2.2261—the refined regression model can be confirmed to be free from autocorrelation. Accordingly, the model satisfies the classical assumption requirements and is deemed appropriate for subsequent analytical procedures.

Moderated Regression Analysis (MRA) Test. To evaluate the moderating effects within the model, this study employed Moderated Regression Analysis (MRA) as recommended by Dharma et al. (2020). This technique enables the examination of whether financial flexibility and firm size intensify or diminish the influence of digital disclosure and CSR on financial performance. The MRA procedure was implemented by incorporating interaction terms (such as X1M1, X2M2, and others) into the regression equation to capture potential moderating dynamics.

Table 7. MRA Test Results

Dependent Variable: LOG_Y				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-0.668420	0.422232	-1.583063	0.1161
LOG_X1	-0.249536	0.306384	-0.814456	0.4170
LOG_X2	1.062174	0.317055	3.350128	0.0011
LOG_M	-2.576339	0.666019	-3.868268	0.0002
LOG_X1M	-0.969558	0.520998	-1.860963	0.0653
LOG_X2M	1.951944	0.516325	3.780457	0.0002
LOG_Y(-1)	0.165291	0.070934	2.330194	0.0215
R-squared	0.396259	F-statistic		12.79861
Adjusted R-squared	0.365298	Prob(F-statistic)		0.000000

Source: Eviews 13 Output, Data processed 2025

Based on the resulting coefficients, the regression equation is:

$$LOG\_Y = -0.668420 - 0.249536\ LOG\_X1 + 1.062174\ LOG\_X2 - 2.576339\ LOG\_M - 0.969558\ LOG\_X1M + 1.951944\ LOG\_X2M + 0.165291\ LOG\_Y(-1)$$

The regression output indicates that the constant value of –0.668 is statistically insignificant (p = 0.1161), suggesting that the baseline level of financial performance does not differ meaningfully from zero. The coefficient for digital technology is –0.250 and lacks statistical significance, implying that digital adoption does not exert a measurable influence on financial outcomes. In contrast, CSR displays a positive and significant coefficient of 1.062, demonstrating its ability to enhance financial performance. Financial flexibility shows a significant negative coefficient of –2.576, meaning that

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higher flexibility is associated with lower financial performance. The interaction term between digital technology and financial flexibility yields a negative but insignificant coefficient (–0.970), indicating that financial flexibility does not strengthen—and may even attenuate—the influence of digital technology on performance. On the other hand, the interaction between CSR and financial flexibility produces a positive and significant coefficient of 1.952, signifying that financial flexibility amplifies the beneficial impact of CSR. Furthermore, the lagged financial performance variable exhibits a significant positive effect of 0.165, reflecting performance continuity from one period to the next.

T-test. This test is conducted to evaluate the partial influence of each independent variable on the dependent variable (Nalendra et al., 2021). The results of the Moderated Regression Analysis (MRA) reveal that the LOG_X1 coefficient is –0.249536 with a significance probability of 0.4170 (> 0.05), indicating that digital technology exerts a negative yet statistically insignificant impact on financial performance. The LOG_X2 coefficient registers a value of 1.062174 with a probability of 0.0011 (< 0.05), showing that CSR has a positive and significant effect on financial performance. Meanwhile, the LOG_M coefficient stands at –2.576339 with a probability of 0.0002 (< 0.05), demonstrating that financial flexibility has a significant negative influence on financial performance. The interaction coefficient LOG_X1M is –0.969558 with a probability of 0.0653 (> 0.05), suggesting that the interaction between digital technology and financial flexibility has a negative but insignificant effect. In contrast, the LOG_X2M interaction coefficient reaches 1.951944 with a probability of 0.0002 (< 0.05), confirming that financial flexibility significantly strengthens the effect of CSR on financial performance.

F-test. This assessment is intended to evaluate whether the independent variables, when considered collectively, exert a significant influence on the dependent variable (Nalendra et al., 2021). Referring to the outcomes of the Moderated Regression Analysis (MRA), the F-statistic value obtained = 12.79861 with Prob(F-statistic) = 0.000000 <0.05 indicates that simultaneously all independent variables (Digital Technology, CSR, Financial Flexibility, the interaction of Digital Technology with Financial Flexibility, the interaction of CSR with Financial Flexibility, and the Financial Performance Lag variable jointly exert a significant influence on the company's Financial Performance. This outcome demonstrates that the integration of digital technology adoption, CSR initiatives, and financial flexibility—as a collective set of strategic factors—can meaningfully shape the financial outcomes achieved by the firm.

Coefficient of Determination Test. This evaluation is intended to identify the extent to which the independent variables collectively account for the variation observed in the dependent variable (Badawi et al., 2022). The Moderated Regression Analysis (MRA) results show an Adjusted R-squared value of 0.365298, indicating that 36.53% of the fluctuations in Financial Performance (Y) can be attributed to Digital Technology (X1), CSR (X2), Financial Flexibility (M), their respective interaction terms (X1M and X2M), and the lagged value of financial performance. The remaining 63.47% is influenced by factors outside the scope of the model, including macroeconomic dynamics, managerial decision-making, cost structures, operational efficiency, and other non-financial determinants not incorporated into this study.

The Effect of Digital Technology on Financial Performance. The LOG_X1 coefficient is –0.249536 with a probability value of 0.4170 (> 0.05), showing that digital technology exerts a negative but statistically insignificant influence on financial performance. This result suggests that higher

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levels of digital technology utilization have not translated into meaningful improvements in the company's financial outcomes. It may occur because the digital technology process requires significant time and investment before the results are reflected in financial performance (Heykal et al., 2024).

The findings reveal that digital technology exerts a negative and statistically insignificant influence on the financial performance of manufacturing firms. Conceptually, this outcome suggests that digital technology has not yet functioned as a strategic asset capable of generating competitive advantage, as proposed in the Resource-Based View (RBV). RBV argues that only resources possessing value, rarity, inimitability, and non-substitutability can enhance firm performance. When digital technology is implemented at an early, non-mature, or suboptimal stage, its strategic benefits may not materialize, which in turn prevents its contribution from appearing in financial performance indicators (Angriani et al., 2025).

The Effect of Corporate Social Responsibility on Financial Performance. The LOG_X2 coefficient is 1.062174 with a probability value of 0.0011 (< 0.05), demonstrating that CSR exerts a positive and statistically significant influence on financial performance. This implies that stronger CSR engagement is associated with improved financial outcomes. The evidence suggests that CSR initiatives enhance corporate credibility and strengthen public confidence, which ultimately contributes to higher levels of profitability.

Corporate Social Responsibility (CSR) exerts a positive and statistically significant influence on financial performance, suggesting that a company's commitment to social responsibility can function as a strategic resource that strengthens overall organizational outcomes. Based on RBV theory, CSR is a form of intangible resource in the form of a good reputation, public trust, and harmonious relationships with stakeholders. These resources are difficult for competitors to imitate, thus increasing company value and profitability. Thus, CSR has been proven to be a strategic resource that supports a company's competitive advantage (Ratajczak, 2021).

The Effect of Financial Flexibility on Financial Performance. The LOG_M coefficient of –2.576339 with a probability value of 0.0002 (< 0.05) shows that financial flexibility has a negative and statistically significant impact on financial performance. This result suggests that higher financial flexibility—such as maintaining large cash balances or having broad access to external funding—may, in the short term, reduce the firm's financial performance. Companies with high flexibility are likely to underutilize assets or hold funds in non-productive forms.

Financial flexibility is found to have a negative and significant influence on financial performance. Conceptually, this suggests that although financial flexibility is recognized within the RBV framework as a valuable resource that enables firms to respond to uncertainty, inadequate utilization or ineffective management of this flexibility may cause it to become a dormant asset that fails to contribute positively to performance. High cash reserves or the ability to access financing do not automatically improve performance if they are not used for productive activities that generate added value for the company (Sari & Ainun, 2024).

Moderating Effect on the Relationship Between Digital Technology and Financial Performance. The LOG_X1M coefficient of –0.969558 with a probability value of 0.0653 (> 0.05) shows that the interaction between digital technology and financial flexibility has a negative yet statistically insignificant impact on financial performance. This suggests that financial flexibility has not succeeded in amplifying the effect of digital technology on performance, which may be due to

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digital investments that are not supported by an adequately aligned or efficient financial management strategy.

The findings show that financial flexibility does not enhance the linkage between digital technology and financial performance. Theoretically, this suggests that synergy between financial resources and technological resources has not been effectively established. According to the RBV perspective, the combination of different resources must be managed in an integrated manner to create a sustainable competitive advantage. The inability to integrate these two resources has resulted in the potential of digital technology not yet having a tangible impact on improving financial performance (Tang, 2023).

Moderating Effect on the Relationship between CSR and Financial Performance. The LOG_X2M coefficient of 1.951944 with a probability value of 0.0002 (< 0.05) indicates that the interaction between CSR and financial flexibility exerts a significant positive influence on financial performance. This finding implies that when a firm possesses strong financial flexibility, its CSR activities are more effective in improving financial performance. Financial flexibility helps companies fund sustainable CSR programs and positively impacts consumer image and loyalty.

The findings reveal that financial flexibility amplifies the influence of CSR on a firm's financial performance. Theoretically, this confirms that complementary resources can enhance a company's strategic value, as explained in RBV theory. Financial flexibility enables companies to sustainably fund CSR activities, expand social impact, and strengthen public image and trust. Thus, the combination of financial flexibility and CSR implementation can improve financial performance while strengthening a company's competitive position (Guo et al., 2020).

CONCLUSION

Based on the analytical findings, the variables examined in this study exhibit different degrees of influence on the financial performance of manufacturing firms. Digital technology demonstrates a negative and statistically insignificant effect, suggesting that its adoption has not yet translated into measurable financial gains—likely because firms are still in the investment phase or undergoing system adjustment. In contrast, Corporate Social Responsibility (CSR) shows a positive and significant impact, reinforcing the view that socially responsible practices enhance corporate reputation and foster greater public confidence, which ultimately supports improved profitability. Financial flexibility, however, yields a negative and significant effect, indicating that maintaining substantial liquid resources or broad financing access does not necessarily lead to productive short-term utilization. Regarding the moderating relationships, financial flexibility does not enhance the link between digital technology and financial performance. Nevertheless, it significantly strengthens the influence of CSR on financial outcomes, implying that firms with strong financial capacity are better positioned to execute CSR initiatives effectively and convert these efforts into tangible performance improvements.

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