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Environmental Audit and CSR Practices on the Financial Performance of Small and Medium Manufacturing Companies in Indonesia

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ABSTRACT: By employing environmental audits, businesses can meticulously assess environmental risks, fortify sustainability practices, and foster enhanced stakeholder trust. Concurrently, the adoption of CSR practices emerges as a driving force behind improved financial performance, operational efficiency, and long-term sustainability. This study investigates the profound impact of environmental audit and Corporate Social Responsibility (CSR) practices on the financial performance of small and medium manufacturing companies in Indonesia. This research uses quantitative methods with primary data obtained through a questionnaire. The sample selection from the population of manufacturing companies in Indonesia was carried out purposefully. The data that has been collected will be analyzed by regression to be able to answer existing hypotheses. The results showed that environmental audits and CSR can have a positive and significant effect on their financial performance. This means that financial performance and CRS will increase along with improvements in financial performance. These findings carry substantial implications for the manufacturing sector, advocating for responsible business practices and making theoretical strides by emphasizing the integration of sustainability into financial theories and models, specifically within the context of Indonesia's industrial landscape.

Keywords: Environmental Audit, Financial Performance, CSR

INTRODUCTION

Indonesia's manufacturing industry is expected to drive the country's economic growth to achieve the targeted average growth of 6% per year in the next five years (Saptioratri Budiono et al., 2021). According to the report published by Statista in 2023, the manufacturing sector in Indonesia has played a crucial role in the country's economic and social development. In recent decades, the government has given high priority to this sector to harness its potential for advancing industrialization. Today, the manufacturing sector stands as the largest contributor to Indonesia's GDP and plays a dominant role in the country's exports. Key industries such as food and

beverages, coal and refined petroleum, chemicals, transportation, as well as metals and electronics, are the primary contributors to Indonesia's GDP within the manufacturing sector. Moreover, this sector has also generated a substantial number of job opportunities. With a vision to become one of the world's largest economies by 2030, Indonesia's manufacturing sector offers significant opportunities and potential for both the country and its international partners.

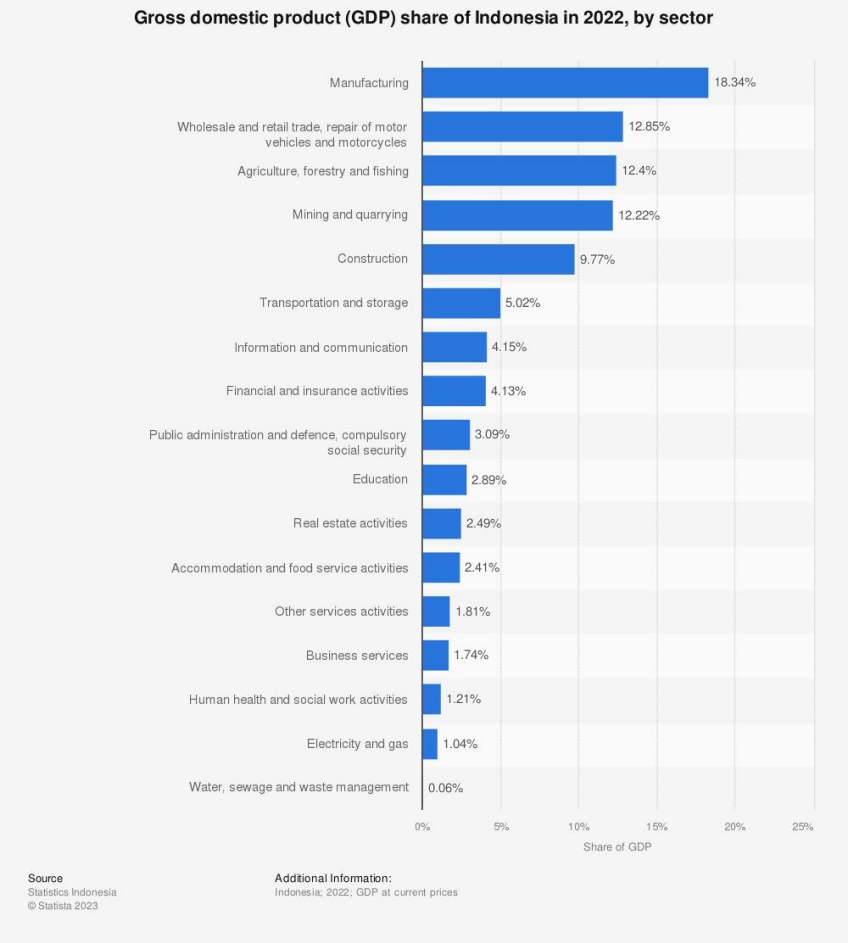

Figure 1. GDP Share of Indonesia in 2022 by Sector

Source: Statista, 2023

This research highlights the financial performance of manufacturing companies in Indonesia in relation to the environmental audits and CSR practices they carry out. Environmental audit helps companies identify potential environmental risks and opportunities that can impact their operations and bottom line. By conducting an audit, companies can assess their environmental performance and identify areas where they can improve their sustainability practices. Environmental audit also helps companies demonstrate their commitment to sustainability and environmental responsibility. This can enhance stakeholder trust and reputation, and attract socially responsible investors and customer (Meiwanto Doktoralina et al., 2018) s. Environmental audit is aligned with sustainability reporting, which is becoming increasingly important for companies. Sustainability reporting helps companies communicate their environmental, social, and

governance (ESG) performance to stakeholders, and environmental audit can provide the data and information needed for such reporting (Jati et al., 2023; Nareswari et al., 2022). On the other hand, CSR practices are also important in discussing the performance of manufacturing companies. There is evidence that CSR practices can positively affect a company's financial performance. For example, a study found that CSR not only improves a firm's social value and reputation but also improves profitability and performance (Cherian et al., 2019). This research aims to bridge existing gaps in the literature by providing a comprehensive exploration of the financial implications of environmental audit and CSR practices within the unique context of small and medium manufacturing companies in Indonesia.

The significance of this study lies in its potential contributions to both academia and industry. By shedding light on the financial performance outcomes associated with environmental audit and CSR practices, the research seeks to inform stakeholders, policymakers, and industry players about the tangible benefits of sustainable business practices. Furthermore, the study aims to contribute to the theoretical landscape by emphasizing the integration of sustainability considerations into financial models and theories specific to the Indonesian manufacturing sector. This research not only aligns with the current trajectory of Indonesia's economic ambitions but also addresses a critical gap in the literature by examining the nuanced interplay between environmental responsibility, CSR practices, and financial performance in small and medium manufacturing companies within the Indonesian context. Thus, this research was conducted to uncover and answer the question "what is the impact of environmental audit and CSR practices on the financial performance of manufacturing companies in Indonesia?". It is hoped that this research can provide material for stakeholders to consider these two aspects in an effort to develop the performance of the manufacturing sector in Indonesia.

Environmental Audit

Environmental audit is an independent evaluation of policy and principles, systems, procedures, practices, and performance, and other elements of a business relating to the environment. It aims at verification and validation to ensure that various environmental laws are complied with and adequate care has been taken toward environmental protection and preservation (Pahuja, 2013). Several studies have explored the relationship between environmental audit and company performance. One study found that environmental auditing could improve company performance, and this effect was more significant in state-owned and private companies than in foreign and other companies. The study also found that environmental auditing had a more significant impact on companies with low technical levels than high technical levels (Liu, 2023). Another study explored the moderating role of audit quality in the relationship between environmental, social, and governance (ESG) factors and corporate financial performance. The study found that audit quality played a moderating role in this relationship (Zahid et al., 2022). From the explanation above, a hypothesis can be built that will be used in this research as follows:

H1: Environmental Audit have a significant impact on financial performance of Manufacturing Industry in Indonesia.

Corporate Social Responsibility

The term corporate social responsibility (CSR) refers to a company's obligation to its stakeholders, the environment, and the larger community. It can be used as an ideal, a research program, a theory, or even a corporate practice. It is a flexible idea that has developed in response to new situations and shifting social norms. The idea first surfaced in the 1950s as a business-for-society ideology that included ideas of corporate philanthropy. Then, as a result of social rights movements and legislative changes, it grew in the 1960s to include greater demands on businesses with regard to larger social problems (such as the environment and human rights). The relationship between corporate social responsibility (CSR) and firm performance has been a topic of debate in academic literature. CSR can have a positive impact on a company's financial performance (Coelho et al., 2019; Nasir et al., 2023). This impact may depend on the life cycle stage of the firm and its corporate governance structure (Jihwan Yeon, 2021). However, some studies have found inconsistent results and argue that CSR has no effect on financial performance (Sameer, 2021). From the discussion above, the following research hypothesis can be drawn:

H2: CSR practices have a significant impact on the financial performance of Manufacturing Companies in Indonesia.

Financial Performance of Small and Medium Manufacturing Companies in Indonesia

According to (Fahmi, 2014), financial performance analysis is used to determine which organization has correctly and correctly followed financial implementation guidelines. From the definition, it is clear that financial performance is something that the management of the firm has accomplished, using financial analysis techniques as a foundation for understanding and assessing the organization's degree of success (Tanasal). The manufacturing industry is an important sector in Indonesia's economy, and its financial performance can have a significant impact on the country's long-term sustainability and ability to create positive social and environmental results (Meiryani et al., 2023).

H3: Environmental Audit and CSR practices have a significant impact on the financial performance of Manufacturing Companies in Indonesia

METHOD

The research approach for this study will be quantitative in nature, as it aims to examine the relationship between environmental audit and CSR practices and the financial performance of manufacturing companies in Indonesia. The sample selection from the population of manufacturing companies in Indonesia was carried out purposefully. Purposive sampling is a non-probability sampling technique that involves selecting participants based on specific criteria, such

as their relevance to the research question or their availability (Maryani). Several criteria for selecting samples in this research are as follows:

1. Manufacturing companies are small and medium sized companies.
2. Manufacturing companies that have implemented environmental audit practices.
3. Manufacturing companies that comply with Indonesian regulations on CSR initiatives.
4. Manufacturing companies that prioritize CSR initiatives to avoid legal and financial risks.

According to (Jenkins & Quintana-Ascencio, 2020), the recommended sample size for regression analysis is greater than or equal to 25. One common rule of thumb is to have at least 10 observations per independent variable, which means that in this study at least 20 samples were studied. Going beyond these criteria, this research selected 30 samples as respondents from 30 small and medium enterprises in the manufacturing sector from several cities in Indonesia such as Sukabumi, Bekasi, Karawang and Purwakarta.

The primary data will be collected through structured survey questionnaires that will be distributed to manufacturing companies in Indonesia. The questionnaires will include both closed-ended and Likert-scale questions, focusing on the companies' environmental audit practices, CSR practices, and financial performance metrics. Secondary data will be collected through the analysis of annual reports, sustainability reports, and financial statements of the selected manufacturing companies. This data will help validate the information obtained through the survey and provide additional context (Sajid et al., 2019).

The data that has been collected will be analyzed by regression to be able to answer existing hypotheses using a supporting application in the form of SPSS. Before the questionnaire is distributed to respondents via online networks or in person, testing is first carried out as an initial stage in an effort to ensure the accuracy of the questionnaire used, namely by conducting a pre-test. It is important to pretest the questions to ensure that they are clear and unambiguous (Boateng et al., 2018). The second stage is measuring classical assumptions which consist of the normality test, heteroscedasticity test, multicollinearity test, and autocorrelation test. Assumption testing is an important step in statistical analysis that is often overlooked in research. Meeting the assumptions of statistical tests is crucial to reporting valid results and assuring the scientific community of the accuracy of the findings (Patino & Ferreira, 2018). The next stage is testing the coefficient of determination and ends with hypothesis testing.

RESULT AND DISCUSSION

Validity Test Result

According to (Ghozali, 2013b), validity and reliability tests are important to ensure the quality of data. In order to determine the validity of a questionnaire, researchers can use the Pearson Product Moment formula with the help of SPSS (Statistical Product and Service Solution). A questionnaire

is considered valid if it meets the following criteria: (1) results r count > r table, or (2) significance value (p) <0.05 (Tanjung et al., 2020). Table 1 below shows the significance values for all questionnaire items used. All items have a value below 0.05 so that the questionnaire used is valid and can be used to measure the construct.

Table 1. Validity Test

Item Questionnaire	Sig. Value
EA.1	0,000
EA.2	0,000
EA.3	0,000
CSR.1	0,000
CSR.2	0,000
CSR.3	0,000
FP.1	0,000
FP.2	0,002
FP.3	0,002

Source: Data Analysis Result, 2023

Reliability Test Result

Reliability is defined as the extent to which test scores are free from measurement error (Ghozali, 2013a). In order to determine the reliability of an instrument, there are various types of reliability that can be measured, including test-retest reliability, alternate forms reliability, internal consistency reliability, and inter-rater reliability (Hasnida & Ghazali, 2016). In (Ghozali, 2013b), internal consistency reliability was used to measure the reliability of the instrument, as the study involved only one version of the instrument administered once to all respondents. The Cronbach's alpha coefficient was used to measure internal consistency reliability, and a variable is considered reliable if it gives a Cronbach's alpha value greater than 0.6.

Table 2. Reliability Test Result

Cronbach's Alpha	**Cronabach's Alpha Based on Standardized Items**	**N of Items**
0,945	0,947	9

Source: Data Analysis Result, 2023

According to Table 2, the Chronbach's Alpha value of the questionnaire used in this study meets the required criteria, namely >0.60 (CA=0.945). Thus, the questionnaire is appropriate and can be used because it meets the required validity and reliability rules.

Normality Test Result

After the questionnaire has good validity and reliability. Next is the classical assumption test which consists of normality, heteroscedasticity, multicollinearity and autocorrelation tests. The normality

test results with the SPSS program are presented in Table.3, which shows whether the sample data originates from populations that are normally distributed or not. The normality test aims to test whether in the regression model, confounding or residual variables have a normal distribution. If this assumption is violated, then the statistical test becomes invalid for a small sample size ((Aditi et al., 2019; Ghasemi & Zahediasl, 2012; Tanjung et al., 2020).

Table 3. Normality Test Result

	Kolmogorov Smirnov			**Shapiro-Wilk**		
	Statistics	df	Sig	Statistics	df	Sig
EA	0,285	30	0,215	0,794	30	0,331
CSR	0,339	30	0,192	0,794	30	0,425
FP	0,334	30	0,293	0,804	30	0,291

Source: Data Analysis Result, 2023

A p-value less than or equal to 0.05 indicates that the null hypothesis can be rejected, and the data do not follow a normal distribution. On the other hand, a p-value greater than 0.05 means that there is not enough evidence to reject the null hypothesis, and the data are consistent with a normal distribution. Table 3. Table 3 shows how the data obtained is normally distributed with a p value >0.05.

Heteroscedasticity test Result

According to (Ghozali, 2013a), the heteroscedasticity test is used to evaluate whether there is any variance similarity in the regression model, which is the residual from one observation to another. If the variance of residual from one observation to another is unchanged, it is homoscedasticity, but if it is changed, it is heteroscedasticity. The test is carried out to determine whether there are any deviations from the classical assumption of heteroscedasticity, namely the variance in residual variance for all observations in the regression model. According to ((Ghozali, 2013a), the result of the heteroscedasticity test can be seen in the SPSS output in the P value table (on the sig. column) for each independent variable, where if the P-value is smaller than the significance level (usually 0.05), then the null hypothesis of homoscedasticity is rejected, and the alternative hypothesis of heteroscedasticity is accepted. Table 4 below illustrates how the p value for each independent variable in this research, namely environmental audit and CSR practices, is >0.05 so that the existing data is free from heteroscedasticity and the analysis can continue.

Table 4. Heteroscedasticity test Result

Model		**Sig.**
1	EA	0,200
	CSR	0,205

Source: Data Analysis Result, 2023

Multicollinearity Test Result

According to (Ghozali, 2013b), the multicollinearity test can be conducted by analyzing the correlation matrix of independent variables or by calculating Tolerance and VIF (Variance Inflation Factor) values through SPSS. The values used to indicate the presence of symptoms of multicollinearity are the VIF value < 10.00 and the Tolerance value > 0.10 (Ghozali, 2013b). Table 5 shows that the data is free from multicollinearity with a tolerance value for each independent variable of 0.483 and a VIF value of 2.069.

Table 5. Multicollinearity Test Result

		Collinearity Statistics	
Model		**Tolerance**	**VIF**
1	EA	0,483	2,069
	CSR	0,483	2,069

Source: Data Analysis Result, 2023

Autocorrelation Test Result

The Durbin-Watson test is one of the most frequently used statistical tests for detecting autocorrelation (Fadila et al., 2022; Uyanto, 2020). If du < d < 4 – du means there is no positive or negative autocorrelation and the decision is not rejected (Ghozali, 2013b). Table 6 below shows the Watson Durbin value from the model, which is 2.240. This value meets the criteria with a du value of 1.650 for a sample size of 30. 2,240 is a value that lies between 1,650 (du) and 2,350 (4-du).

Table 6. Autocorrelation Test Result

	Model	**Durbin Watson Value**
1		2,240

Source: Data Analysis Result, 2023

Coefficient Determination

The coefficient of determination (R2) is used to describe how much the dependent variable variation can be explained by the independent variable (Nur Achmad & Setyo Witiastuti, 2018). The coefficient of determination is between 0 and 1, where 0 indicates that the model shows that prices are not a function of dependency on the index, and 1 indicates a 100% price correlation and is thus a reliable model for future forecasts. The value of R2 which is large or close to one means that the independent variable is able to provide almost all the information needed in explaining the change of the dependent variable (Nur Achmad & Setyo Witiastuti, 2018).

Table 7. Coefficient Determination

Model	**R**	**R Square**

1	0,765	0,627

Source: Data Analysis Result, 2023

Based on table 7 above, it can be seen that the R Square value listed is 0.627, which means that this model is able to explain the dependent variable, namely financial performance, by 62.7% while the remaining 37.3% is explained by other variables outside the research. This figure is included in the moderate category according to the explanation (Hair & Alamer, 2022) because the value is close to 0.5.

Hypothesis Test Result

Table 8. Hypothesis Test Result

Model		**Unstandardized B**	**Coefficients Std. Error**	**Standardized Coefficient Beta**	**t**	**Sig**
1	(Constant)	1,333	0,460		2,896	0,007
	EA	0,328	0,249	0,302	1,315	0,002
	CSR	0,475	0,212	0,299	1,300	0,000

Source: Data Analysis Result, 2023

Finally we arrive at the final stage of data analysis, namely hypothesis testing. The first hypothesis (h1) and second hypothesis (h2) can be answered with the information in table 8 above, while for the third hypothesis (h3) the answer is listed in table 9 below with reference to the p-value which must be smaller than 0.05 so that the hypothesis can be accepted.

Table 9. Hypothesis Test Result

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig**
1	Regression	5,640	2	2,820	6,978	0,007
	Residual	12,527	27	0,464		
	Total	18,167	29			

Source: Data Analysis Result, 2023

Based on the information in Table 8, it can be concluded that both hypothesis 1 (h1) and hypothesis (2) can be accepted on the basis that the p value of both is below 0.05, namely 0.000 and 0.002. Meanwhile, the third hypothesis (3) can also be declared accepted on the basis of a p value of no more than 0.05, namely 0.007. Thus, there is a significant influence, both partially and simultaneously, between environmental audit and CSR practices on the financial performance of small and medium manufacturing companies in Indonesia.

Regression Equation

From the regression equation formed above, several information can be drawn, namely as follows:

$$y=a+bx1+cx2+e$$

$$y=1,33+(0,475)x1+(0,328)x2+e$$

1) An increase of one unit in environmental audit (x1) will contribute to an increase of 0.475 (47.5%) units to financial performance.

2) An increase of one unit in environmental audit (x1) will contribute to an increase of 0.328 (32,8%) units to financial performance.

Impact of Environmental Audit on Financial Performance of Small and Medium Manufacturing Companies

The results of tests carried out on 30 samples of small and medium manufacturing companies in Indonesia show that environmental audits can have a positive and significant effect on their financial performance. This means that financial performance will increase along with improvements in financial performance. These results support and are in line with several previous studies which explored how environmental aspects influence financial performance. A systematic review of barriers in adoption of environmental management accounting in Chinese SMEs for sustainable performance concludes that strict legislation and the availability of flexible financing options for SMEs can promote the adoption of EMA by SMEs (Javed et al., 2022). Besides that, a study on the effects of energy management practices on environmental performance of Indian small- and medium-sized enterprises found that among the manufacturing SME firms investigated, EMPs positively influence the energy audit of the firm (Patel et al., 2022) s. An analysis of extreme tail dependency in the European manufacturing sector investigated the impact of environmental performance on financial performance. Additionally, the study argued that environmental performance heterogeneously affects financial performance, depending on the industry and country (Tzouvanas et al., 2020).

This influence can occur in several ways that have been analyzed by previous studies. First, improved ESG Performance, Environmental, social, and governance (ESG) factors can impact corporate financial performance. A study found that audit quality can moderate the relationship between ESG factors and corporate financial performance (Zahid et al., 2022). Therefore, an environmental audit can help improve ESG performance, which can lead to better financial performance. Second, Lower probability of issuing a modified audit opinion, a company's ESG performance can affect the issuance of an audit opinion. A better ESG performance can lead to a lower probability of the auditor issuing a modified audit opinion, which can improve the quality of financial reporting (Nugrahanti & Jahja, 2018; Wang et al., 2023). Third, Consideration of environmental regulations, The audit of financial statements requires the auditor to consider environmental regulations as part of the audit, and in particular environmental issues and matters if they have a material effect on the financial statements. Therefore, an environmental audit can help ensure compliance with environmental regulations, which can avoid potential financial penalties. Lastly, Assessment of future events caused by environmental factors, an audit approach that considers environmental matters in relation to financial statements can assess the reliability of

reporting information about future events caused by environmental factors. This can help improve the accuracy of financial reporting and avoid potential financial losses (Eremeeva, 2020)

Impact of CSR Practices on Financial Performance of Small and Medium Manufacturing Companies

The research results show that Corporate Social Responsibility practices carried out by small and medium manufacturing companies in Indonesia have a positive and significant impact on their financial performance. This finding is in line with several previous studies such as those conducted by (Kurniawati & Fauzi, 2021; Meiryani et al., 2023; Yulianty & Nugrahanti, 2022) Adopting CSR initiatives, such as sustainable practices or responsible supply chain management, can improve a company's operational efficiency, reduce costs, and increase productivity. This can improve profitability and financial performance, which are critical in Indonesia's highly competitive manufacturing sector (Meiryani et al., 2023). Another study explored empirical data on the orientation of CSR practices to SMEs in Solo City, Indonesia, and found that CSR practices related to employees, market, and environment have a positive impact on the company's financial performance (Kurniawati & Fauzi, 2021). Prioritizing CSR can help companies meet regulatory requirements and avoid legal and financial risks. Adopting CSR initiatives, such as sustainable practices or responsible supply chain management, can improve a company's operational efficiency, reduce costs, and increase productivity, which can ultimately contribute to improved financial performance and long-term sustainability (Meiryani et al., 2023).

The relationship between corporate social responsibility (CSR) practices and financial performance is a topic of debate in the academic literature. Some studies suggest that CSR contributes to a better image and greater consumer satisfaction, positively impacting financial performance (Coelho et al., 2019). However, other studies have found that CSR does not directly lead to short-term profitability financial performance (profitability, sales, ROA, ROI, ROS, and total assets) through enhanced corporate reputation and brand equity. Instead, CSR improves the reputation of a firm contributing to increased stock returns and long-term financial performance (Meier, 2018).

The mechanisms through which CSR practices can impact financial performance include enhanced firm reputation, increased innovation capabilities, customer loyalty, and customer satisfaction (Meier, 2018). Some studies have also found that CSR initiatives can enhance employee organizational commitment and organizational performance, and most workers like to work and can attract more potential employees for an organization that has an excellent reputation for being socially responsible (Sameer, 2021).

Industry Implications

The research findings that environmental audits and Corporate Social Responsibility (CSR) practices have a positive and significant impact on the financial performance of small and medium manufacturing companies in Indonesia carry significant industry implications. These companies

can gain a competitive edge by emphasizing these practices, attracting environmentally conscious consumers, and opening up new market segments. Ensuring compliance with environmental and social regulations becomes easier, reducing the risk of fines and legal issues. Additionally, implementing strong environmental and social responsibility measures enables better risk mitigation, access to capital, brand enhancement, cost reduction, and the development of a sustainable supply chain. It also enhances employee engagement and attracts top talent. Overall, these findings highlight the potential for long-term sustainability and prosperity in the manufacturing sector in Indonesia through the adoption of responsible business practices.

Theoretical Contributions

The research findings, which highlight the positive and significant impact of environmental audits and Corporate Social Responsibility (CSR) practices on the financial performance of small and medium manufacturing companies in Indonesia, make a noteworthy theoretical contribution to the fields of sustainability and corporate governance. These results expand our understanding of the relationship between sustainable business practices and financial outcomes, particularly within the unique context of smaller enterprises operating in a developing economy.

These findings underscore the necessity of integrating sustainability considerations into financial theories and models. They challenge the traditional separation of environmental and social responsibility from financial performance evaluation, emphasizing the need for a more holistic approach to business analysis. The theoretical implications of this research align with the Resource-Based View (RBV) theory, suggesting that sustainability practices can be viewed as valuable and rare resources for firms. This extends our comprehension of how these resources can contribute to a firm's competitive advantage and ultimately influence its financial performance. Furthermore, the research supports Stakeholder Theory by demonstrating that a firm's responsiveness to the demands and expectations of various stakeholders, including customers, regulators, and the environment, can lead to enhanced financial results. This highlights the importance of considering a broader set of stakeholders in strategic decision-making processes. From an institutional theory perspective, the study sheds light on how institutional pressures and norms related to environmental and social responsibility can shape the behavior of small and medium manufacturing companies in Indonesia. This contributes to our understanding of how institutions influence corporate practices and strategic decision-making.Additionally, the research provides valuable insights into sustainability and CSR practices within the context of an emerging market. It offers a deeper understanding of the dynamics and challenges specific to such economies, contributing to the broader body of knowledge on sustainable business practices in diverse global settings.

This research also has limitation that can be used as material for future research. This research uses a sample of 30 small and medium businesses, while the number of manufacturing companies in Indonesia is very large and at various different levels. Future research can be directed to target more samples with different categories, such as large-scale and multinational companies. Thus, it is believed that the research results can show more interesting and broader results, especially in terms of research implications for the Indonesian economy in general.

CONCLUSION

This comprehensive study delves into the nuanced impact of environmental audits and Corporate Social Responsibility (CSR) practices on the financial performance of small and medium manufacturing companies situated in Indonesia. The examination of each variable in isolation reveals a noteworthy impact on financial performance. Environmental audits, when analyzed independently, exhibit a capacity to positively influence financial outcomes. Similarly, isolated scrutiny of CSR practices reveals a distinct positive effect on financial performance. Notably, the research establishes that these influences persist even when both environmental audits and CSR practices are concurrently in play, emphasizing the multifaceted nature of their impact. The research employs a meticulous approach to assess the combined effect of environmental audits and CSR practices on financial performance. The findings of this research bring to light that these two variables, when considered individually (partially) or collectively (simultaneously), wield a discernible influence on the financial performance of the targeted companies. The analysis reveals a moderate, yet significant, influence, as elucidated by the existing coefficient of determination value. This value underscores the shared variance between the considered variables and financial performance, providing valuable insights into the comprehensiveness of their impact. In essence, the research goes beyond a mere acknowledgment of the influence of environmental audits and CSR practices on financial performance by meticulously examining their partial and simultaneous effects. The findings not only affirm their individual contributions but also shed light on the nuanced interplay when these variables coalesce. The moderate influence, as evidenced by the coefficient of determination, serves as a quantitative testament to the comprehensiveness of their impact on the financial dynamics of small and medium manufacturing companies in the Indonesian context.

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