ABSTRACT

The rapid transformation of digital financial services poses a significant challenge to the effectiveness of banks' physical infrastructure expansion. The inconsistent impact of physical network expansion on profitability, coupled with a lack of empirical evidence regarding the moderating role of Corporate Social Responsibility, serves as the point of departure for this study. Specifically, this study aims to examine the effect of Financial Inclusion, proxied by the number of branch offices, ATM units, and the volume of credit distribution on Financial Performance, measured by Return on Assets (ROA). Furthermore, this research evaluates the capacity of Corporate Social Responsibility (CSR) to moderate the relationship between Financial Inclusion and Financial Performance within the Indonesian banking industry. This approach is expected to provide banking management with novel perspectives for optimizing operational strategies and social investments.

This study employs a quantitative approach utilizing secondary panel data. The research sample comprises 21 banking entities, yielding a total of 106 observations over a six-year period from 2019 to 2024. Data analysis techniques include Panel Data Regression (Panel Least Squares) and Moderated Regression Analysis (MRA) to test the interaction effects among variables at a 5% significance level ($\alpha = 0.05$).

The regression results prior to the inclusion of the moderating variable indicate that none of the Financial Inclusion indicators significantly affect Financial Performance; the branch office variable exhibits a positive relationship, while ATMs and credit distribution show a negative relationship. Partial testing of the CSR variable also reveals no significant effect on Financial Performance, despite demonstrating a positive relationship. Furthermore, upon introducing the moderating element, the direction of the relationship for all Financial Inclusion indicators consistently turns negative and remains statistically insignificant. The MRA results convincingly conclude that the interaction between Financial Inclusion and CSR—which overall displays a negative relationship—is not statistically significant. This demonstrates that CSR implementation is unable to moderate (either strengthen or weaken) the impact of Financial Inclusion on bank profitability.

Theoretically, this research demonstrates that physical expansion does not guarantee increased profitability in the digital era, and CSR strategies remain disconnected from core business operations. Managerially, banks need to rationalize their physical networks for digital efficiency, tighten credit risk management, and transform CSR programs into strategic social investments that create shared value.

Keywords: Financial Inclusion, Financial Performance, Corporate Social Responsibility (CSR), Return on Assets, Moderated Regression Analysis.