International Journal of Applied Business & International Management (IJABIM)
Vol. 10, No. 2, pp.228-245, August, 2025
E-ISSN: 2621-2862 P-ISSN: 2614-7432
https://www.ejournal.aibpmjournals.com/index.php/IJABIM

The Role of Good Corporate Governance and Corporate Social Responsibility in Shaping the Financial Performance of IDX-Listed Mining Companies (2019–2023)

Raihan Haris Wiratama[1], Januar Eko Prasetio[1*]
[1]Universitas Pembangunan Nasional Veteran Yogyakarta, Jl. Padjajaran 104 Condongcatur Sleman, Indonesia
*Corresponding Email: januar_ep@upnyk.ac.id

ARTICLE INFORMATION

Publication information

Research article

HOW TO CITE
Wiratama, R. H., & Prasetio, J. E. (2025). The role of good corporate governance and corporate social responsibility in shaping the financial performance of IDX-listed mining companies (2019–2023). *International Journal of Applied Business & International Management*, *10*(2), 228-245.

DOI:
https://doi.org/10.32535/ijabim.v10i2.3854

Received: 12 June 2025
Accepted: 14 July 2025
Published: 20 August 2025

ABSTRACT

The objective of this study is to empirically analyze the relationship between corporate social responsibility (CSR) and good corporate governance (GCG) practices with the financial performance of entities operating in the mining sector and listed on the Indonesia Stock Exchange (IDX) for the years 2019 to 2023. Financial performance is quantified through metrics including return on assets (ROA), return on equity (ROE), and net profit margin (NPM). Quantitative methods were employed in this study, specifically involving 120 firm-year observations from mining companies, incorporating total assets and debt-to-equity ratio (DER) as control variables. The results indicated that CSR significantly negatively affected ROA (B=-0.687, p=0.005) and ROE (B=-0.718, p=0.012), but did not significantly influence NPM (p=0.217). GCG had no significant impact on ROA, ROE, or NPM (all p-values >0.05). Firm size (total assets) positively influenced ROA (p=0.024), ROE (p=0.023), and NPM (p=0.011), while DER negatively affected all performance measures (p<0.001). The findings indicate that while CSR may reduce short-term profitability, its long-term benefits could be valuable. Firms should balance CSR initiatives with prudent leverage management, and future research should explore long-term effects across industries and economic conditions.

Keywords: Corporate Social Responsibility; Financial Performance; Good Corporate Governance; Indonesia Stock Exchange; Mining Sector

INTRODUCTION

As a cornerstone of national progress, the Indonesian mining sector holds substantial importance in driving economic development, significantly contributing to export earnings and national income. In 2021, mining accounted for approximately 12.2 % of Gross Domestic Product (GDP), highlighting its substantial economic significance compared to other national sectors (Amelinckx, 2024). As one of the largest producers and exporters of coal, copper, and gold globally, Indonesia's mining industry also significantly shapes both domestic and international commodity markets (Gunawan, 2025).

In recent years, global attention toward sustainable practices and stringent environmental regulations has increased considerably, prompting mining companies to carefully balance profitability with their social and ecological responsibilities. A study on environmental governance in Indonesian coal-mining regions illustrates the complexity of managing such sustainability alongside commercial objectives under evolving regulatory frameworks (O'Neill & Jolly, 2023). The complexity of managing environmental impacts, social welfare, and profitability simultaneously poses distinct challenges for the sector. Furthermore, recent regulatory reforms and heightened public awareness have intensified the demand for enhanced corporate governance and robust corporate social responsibility (CSR) initiatives. Consequently, Indonesia serves as an important case study for exploring how emerging markets adapt to global sustainability standards and governance best practices in the mining sector.

CSR and good corporate governance (GCG) are pivotal aspects widely discussed in their connection to corporate financial performance. CSR initiatives are commonly linked to promoting sustainability, enhancing stakeholder relationships, and strengthening corporate image (Carroll & Shabana, 2010). Nevertheless, empirical evidence regarding CSR's financial implications remains inconclusive. Some studies report positive relationships between CSR and financial outcomes, whereas others indicate neutral or even adverse effects, contingent upon industry specifics and regulatory contexts (Margolis et al., 2009). Moreover, Daniswara et al. (2021) found that CSR, together with capital structure and intellectual capital, significantly influences financial performance, indicating that these factors interact in shaping firm outcomes. Research by Isnaini (2023) examining the energy sector revealed that CSR and GCG practices jointly affect financial metrics, underscoring the contextual importance of governance structures in CSR effectiveness. Additionally, Suwandi and Susilawati (2023) demonstrated that managerial ownership and intellectual capital can mediate CSR's impact on company value, highlighting the need to consider these variables when assessing CSR-performance linkages.

Similarly, the literature consistently highlights the positive influence of GCG practices on firms' financial outcomes. Robust governance systems promote greater accountability, strengthen decision-making quality, and enhance investor trust, all of which can contribute to superior financial performance. Nonetheless, the connection between GCG and financial outcomes remains uncertain. While research has reported notable improvements in financial indicators—including profitability ratios like ROE and NPM—other studies have found little to no effect, especially within industries subject to strict regulatory oversight (Azis & Hartono, 2017).

The mining industry represents a particularly relevant sector for examining interactions among CSR, GCG, and financial performance. Companies within this sector operate under rigorous regulatory scrutiny, often engaging in operations with significant environmental and societal impacts. CSR practices in mining typically encompass community engagement, environmental sustainability, and compliance management.

Despite these positive aims, the financial effects of CSR initiatives remain subject to ongoing debate, with certain research highlighting potential reductions in short-term profitability due to significant CSR expenditure requirements (Ismayilov & Rajput, 2018). At the same time, governance features such as board independence and transparency are expected to strengthen the financial resilience of mining companies. Considering these challenges, this study focuses on examining how CSR and GCG practices relate to the financial indicators of mining corporations included on the Indonesian Stock Exchange (IDX) during the 2019 to 2023 period.

In light of this background, the research is designed to empirically analyze the impact of CSR and GCG on the financial outcomes of Indonesia's mining sector. The study specifically evaluates how the application of CSR—quantified by the ratio of CSR expenses to revenue—and GCG—reflected in the level of independent board representation, is observed to influence several core financial indicators, including return on assets (ROA), return on equity (ROE), and net profit margin (NPM).

The significance of this research lies in its focus on Indonesia's mining sector, characterized by stringent regulations and substantial social and environmental implications. Consequently, the findings offer deeper insights into the financial trade-offs faced by companies when balancing social responsibilities and maintaining good governance practices in an emerging market context.

The novelty of this study arises from its integrated analysis of both CSR and GCG, simultaneously examining the moderating roles of company size (total assets) and financial leverage (debt-to-equity ratio, DER)—an approach seldom jointly applied in previous research on Indonesia's mining sector. Moreover, the inclusion of a comprehensive analysis covering pre-pandemic, pandemic, and post-pandemic periods (2019–2023) provides unique insights into the disruptive external factors influencing CSR and GCG implementation and their subsequent impact on corporate financial outcomes.

This study expands the body of knowledge by presenting new empirical data that address ongoing discussions about the interplay between CSR, GCG, and corporate financial outcomes. Additionally, the insights gained from this research have practical value, offering guidance for managers in the mining sector regarding optimal CSR investment and the implementation of effective governance strategies to support long-term financial sustainability.

The main focus of this study is to examine, through empirical methods, the extent to which CSR and GCG impact the financial performance of mining firms listed on IDX throughout 2019–2023. What distinguishes this research is its focus on the mining industry, a sector subject to rigorous regulatory frameworks and considerable social and environmental impact within Indonesia's developing economy.

This study's unique contribution lies in its holistic methodology, as it concurrently examines the effects of CSR, GCG, firm size, and financial leverage, while also considering the moderating influence of total assets and the DER across different periods (before, during, and after the pandemic). This integrated approach is rarely found in previous analyses of Indonesia's mining industry. Ultimately, the research offers fresh empirical evidence and actionable insights for business leaders, policymakers, and stakeholders about balancing the financial implications of CSR and GCG initiatives, supporting more informed decision-making in heavily regulated environments.

LITERATURE REVIEW

The relationship among CSR, GCG, and financial performance is gaining greater significance as companies pursue sustainable business strategies and aim to generate long-term value. Empirical studies suggest that CSR activities, when strategically integrated, contribute to corporate reputation and stakeholder satisfaction, which can improve financial outcomes over time (Aguinis & Glavas, 2012). Similarly, strong corporate governance structures are recognized for their role in reducing agency costs and enhancing decision-making, thus improving investor confidence and corporate efficiency. Nevertheless, inconsistencies in existing research findings necessitate further examination, particularly within industry-specific contexts such as the mining sector.

Corporate Social Responsibility (CSR) and Financial Performance

CSR embodies an organization's pledge to operate in a way that mediates stakeholder needs while contributing to economic progress, social, and environmental sustainability. CSR initiatives typically involve community development, employee welfare programs, environmental sustainability efforts, and ethical business conduct (Aguinis & Glavas, 2012). Despite widespread recognition of the societal benefits of CSR, empirical research on its direct financial impact remains inconclusive, fueling ongoing academic debate (Margolis et al., 2009).

Good Corporate Governance (GCG) and Financial Performance

GCG refers to the collection of guidelines, procedures, and practices that shape how companies are managed and overseen. Its core principles include transparency, accountability, responsibility, independence, and fairness (Organization for Economic Co-operation and Development [OECD], 2015). Effective governance structures can enhance decision-making, align management actions with shareholder interests, and minimize agency issues, leading to improved financial performance. However, the impact of GCG on financial outcomes may differ depending on industry characteristics and regulatory conditions (Azis & Hartono, 2017).

CSR, GCG, and Financial Performance in the Mining Sector

The mining sector is characterized by stringent regulations and significant environmental and social impacts. CSR initiatives within this sector are essential to address community welfare, environmental sustainability, and regulatory compliance issues. These initiatives are often viewed as instrumental in building community trust, reducing environmental conflicts, and maintaining a company's license to operate. However, implementing CSR programs can also be financially demanding in the short term, especially in industries where compliance costs are high and operational risks are substantial

Similarly, the importance of GCG in the mining industry revolves around ensuring ethical business conduct, transparency, and risk management. Though mechanisms like independent board oversight are established and transparent reporting are generally believed to bolster financial stability, their effectiveness might be moderated by existing external regulatory demands, making the incremental benefits of internal governance practices less pronounced.

Given the contrasting perspectives and varied empirical outcomes in prior research, a comprehensive, sector-specific analysis is necessary to clarify how CSR and GCG practices influence financial performance, particularly within resource-intensive industries such as mining.

Theoretical Framework

Good Corporate Governance (GCG)

A system known as GCG governs and manages businesses in order to generate value for all stakeholders. Recent studies highlight that effective GCG implementation ensures companies operate with transparency, accountability, responsibility, and fairness (Asmara & Prasetio, 2024). In the mining sector, strong governance practices are crucial for managing risks related to environmental regulations, operational safety, and shareholder confidence. Mechanisms such as independent board oversight, transparent financial disclosures, and active audit committees have been shown to strengthen financial stability and boost investor trust (Asmara & Prasetio, 2024).

Corporate Social Responsibility (CSR)

CSR reflects the principle that profit generation alone does not define a company's full accountability, but also for fulfilling social and environmental obligations. The framework dividing CSR into economic, legal, ethical, and philanthropic dimensions remains widely adopted in recent research and corporate initiatives (Fatimah & Hidayat, 2021; Aisyah & Oktaviani, 2021). Within the mining sector, CSR initiatives are essential for sustaining social acceptance, mitigating ecological harm, and fostering positive engagement with surrounding communities.

The Theory of Stakeholders

Recent studies confirm that stakeholder theory remains a key framework in understanding CSR, emphasizing the importance of balancing stakeholder interests for improved legitimacy and firm performance (Aguinis & Glavas, 2012; Djalil et al., 2023). Nevertheless, companies must balance stakeholder expectations and cost-efficiency to optimize performance.

Agency Theory

Agency theory, as frequently discussed in contemporary studies, underscores the role of strong governance in harmonizing the objectives of managers and shareholders (Firdaus & Ramadhani, 2022; Widodo et al., 2022). Nevertheless, the advantages derived from such governance mechanisms can differ according to the specific regulatory environment of each industry.

Legitimacy Theory

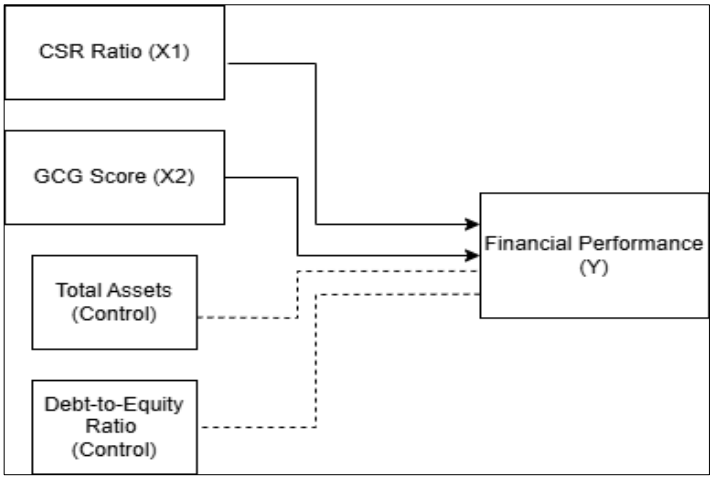
Legitimacy theory remains relevant, with recent research highlighting how CSR disclosures enhance organizational legitimacy, especially in regulated industries (Susanto & Pratiwi, 2023; Triwahyuni & Ardiansyah, 2020). However, the relationship between legitimacy strategies and financial outcomes is intricate and calls for additional investigation within the context of specific industries.

Conceptual Framework

This study looks at how the mining industry's financial performance is affected by GCG and CSR. While financial success, as determined by ROE, ROA, and NPM, is the dependent variable, CSR and GCG are regarded as independent variables. Total assets and the DER are also included as control variables for the purpose of evaluating their moderating impact on the link between CSR, GCG, and financial performance.

Conceptual Framework Diagram

Figure 1. Conceptual Framework



The conceptual framework for this research is structured around independent, control, and dependent variables. This research employs CSR and GCG as independent variables, with CSR operationalized through the proportion of CSR expenditure to total income, and GCG through the share of independent commissioners on the board. The natural logarithm of total assets is employed as a control variable, anticipated to positively influence financial performance, while the DER, calculated by dividing liabilities by equity, is expected to show a negative relationship. The dependent variable, financial performance, is assessed through ROA, ROE, and NPM metrics.

This framework demonstrates how CSR and GCG are expected to impact financial performance while considering the influence of control variables.

Hypotheses Development

The following theories are put forth in light of prior research and the theoretical framework:

H1: CSR has a significant effect on financial performance (ROA, ROE, NPM).
H2: GCG has no significant effect on financial performance (ROA, ROE, NPM).
H3: Total assets as a control variable influence the relationship between CSR, GCG, and financial performance.

Regression analysis will be used to evaluate these assumptions in order to ascertain how CSR and GCG affect financial performance while taking control variables into account.

RESEARCH METHOD

The present study uses secondary data and a quantitative methodology to investigate how CSR and GCG affect financial performance. The following steps make up the methodology:

Population and Sample

Mining firms that were listed on the IDX during the years 2019 - 2023 constitute the population of this study. Purposive sampling as a sampling method, selecting companies that meet specific criteria: (1) listed on IDX, (2) consistently publish annual reports with

CSR and GCG disclosures, and (3) present uninterrupted financial information across the research timeframe.

Data Collection
Data is collected from publicly available annual reports, sustainability reports, and corporate governance disclosures published by the sampled companies. The financial performance indicators (ROA, ROE, NPM) are extracted from these reports, while CSR is measured using the CSR ratio to revenue (%), and GCG is calculated as the ratio of independent commissioners compared to the total commissioners on the board.

Variables and Measurement
The variables examined in this research are grouped into independent, dependent, and control categories. The independent consists of CSR, quantified as the percentage of CSR spending in relation to total revenue, and GCG, assessed by determining the proportion of independent board members relative to the entire board composition within the overall board composition. Financial performance, serving as the dependent, is evaluated using three primary financial ratios—ROA, ROE, and NPM—all reported as percentages. The control variable of total assets is expressed in its logarithmic form to ensure scale consistency for normalization purposes, while the DER is also expressed as a percentage.

Data Analysis Method
To assess the link between financial performance, GCG, and CSR, this study applies a multiple regression analysis approach. This regression analysis also makes use of the SPSS 30 program. The following is the formulation of the regression model:

$$Y = \beta0 + \beta1(CSR) + \beta2(GCG) + \beta3(Total\ Assets) + \beta4(DER) + \varepsilon$$

Where:
Y = Financial Performance (ROA, ROE, NPM)
β0 = Constant
β1, β2, β3, β4 = Regression Coeff.
CSR = Corporate Social Responsibility (measured as CSR expenditure/revenue)
GCG = Good Corporate Governance (measured as independent commissioners/total commissioners)
Total Assets = Log-transformed total assets
DER = Total Liabilities / Total Equity
ε = Error Term

This method helps determine whether CSR and GCG significantly influence financial results, isolating the impact of company size and leverage as control factors.

Variable Description
Corporate Social Responsibility (CSR) Measurement
The percentage of a company's revenue that is devoted to CSR initiatives is shown by the ratio of CSR expenditure to total revenue. The following is the formula:

$$CSR\ Ratio = \frac{CSR\ Expenditure}{Total\ Revenue}$$

Good Corporate Governance (GCG) Measurement

The ratio of independent commissioners in relation to all commissioners in a firm is used to calculate GCG. This metric is frequently employed in governance research to evaluate the efficacy of the board's oversight and independence. The formula for GCG measurement is as follows:

$$GCG\ Score = \frac{Independent\ Commissioners}{Total\ Commissioners}$$

Leverage (DER) Measurement

DER is employed as a proxy for leverage, which is used to assess the financial structure of a corporation. DER is formulated as follows:

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

Companies with a higher DER indicate a greater reliance on debt financing relative to equity, which may affect financial stability and performance.

Company Size (Total Assets) Measurement

In order to account for differences in firm size in financial performance analysis, to represent company size, the natural logarithmic value of total assets is utilized. Bigger businesses usually have easier access to finance and economies of scale, which can affect risk exposure and profitability.

Financial Performance Measurement

Financial performance is evaluated through three essential financial ratios:

Return on Assets (ROA)

ROA reflects the firm's efficiency in converting its asset base into net income. The formula is as follows:

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

Return on Equity (ROE)

ROE reflects how efficiently a company utilizes shareholders' equity to produce net profits, typically computed as net income divided by equity:

$$ROE = \frac{Net\ Income}{Total\ Equity}$$

Net Profit Margin (NPM)

NPM assesses the profitability of a company relative to its total revenue and is defined as:

$$NPM = \frac{Net\ Profit}{Total\ Revenue} x100\%$$

These financial indicators help evaluate a company's efficiency in managing resources and profitability concerning leverage, GCG, and CSR. This research intends to investigate how particular factors influence the financial performance of companies.

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RESULTS

This part outlines the conclusions drawn from the research, featuring the regression analysis results, assumption evaluations, and descriptive statistics. These analyses seek to assess the general financial health of mining firms listed on the IDX from 2019 to 2023 concerning CSR and GCG.

Descriptive Statistics

Descriptive statistical methods serve to highlight the fundamentals of the data, both prior to and following transformation. The initial table outlines descriptive statistics for the untransformed dataset, whereas the subsequent table shows the statistics after the data has been transformed to enhance normality and distribution characteristics.

Table 1. Descriptive Statistics Result

	N	Min.	Max.	Mean	Std. Deviation
CSR	120	0.0000	0.0293	0.002950	0.0042397
GCG	120	0.2000	0.8333	0.426063	0.1085363
ROA	120	-0.2500	0.6163	0.109176	0.1626108
ROE	120	-2.5436	1.2466	0.137243	0.4147530
NPM	120	-0.6541	6.5940	0.170686	0.6256941
TOTAL_ASET	120	872.00	159618.99	25106.6838	29446.57291
DER	120	0.0965	24.8506	1.448231	2.6052638
Valid N (listwise)	120				

Source: SPSS Data Processing Result (2025)

In the original dataset, the CSR Ratio has a mean of 0.00295 with a std. of 0.0042, indicating that CSR expenditures relative to revenue are low. GCG Score has a mean of 0.4260, suggesting that independent commissioners make up approximately 42.6% of the total board. The financial performance indicators (ROA, ROE, and NPM) exhibit significant variations, with ROE having a high dispersion (Mean: 0.1372, Std. Dev: 0.4147) and NPM ranging from -0.6541 to 6.594, indicating considerable differences in profitability across firms. The Total Assets variable shows a high variance (Mean: 25,112.77, Std. Dev: 29,476.66), highlighting disparities in firm size. DER is highly skewed (Mean: 1.4482, Max: 24.8506), suggesting varying levels of financial leverage among companies (see Table 1).

Table 2. Result of Statistical Descriptive

	N	Min.	Max.	Mean	Std. Deviation
CSR	120	0.0000	0.0293	0.002950	0.0042397
GCG	120	0.2000	0.8333	0.426063	0.1085363
ROA	120	-0.2500	0.6163	0.109176	0.1626108
ROE	120	-2.5436	1.2466	0.137243	0.4147530
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TOTAL_ASET	120	872.00	159618.99	25106.6838	29446.57291
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Valid N (listwise)	120				

Source: SPSS Data Processing Result (2025)

After transformation, ROA and ROE were normalized, reducing extreme negative values, and DER, which was initially highly skewed, also showed improvement. While CSR Ratio and GCG Score remained relatively unchanged, these adjustments ensured that the dataset met the assumptions of normality and linearity, improving the reliability of subsequent regression analysis (see Table 2).

Assumption Testing

The regression model's credibility was verified by performing multiple assumption checks.

Normality Test

Table 3. Result of Normality Test (Before Transformation)

			Residual ROA	Residual ROE	Residual NPM
N			120	120	120
Normal Parameters[a,b]	Mean		0.0000000	0.0000000	0.0000000
	Std. Deviation		0.15121238	0.30365594	0.52865293
Most Extreme Differences	Absolute		0.167	0.129	0.256
	Positive		0.167	0.126	0.256
	Negative		-0.111	-0.129	-0.203
Test Statistic			0.167	0.129	0.256
Asymp. Sig. (2-tailed)[c]			0.000	0.000	0.000
Monte Carlo Sig. (2-tailed)[d]	Sig.		0.000	0.000	0.000
	99% Confidence Interval	Lower Bound	0.000	0.000	0.000
		Upper Bound	0.000	0.000	0.000

Source: SPSS Data Processing Result (2025)

Analysis using the Kolmogorov-Smirnov (K-S) Test was conducted to examine whether the residuals of the regression model followed a normal distribution before and after transformation. Table 3 presents the normality test results before transformation, where the Asymp. Sig. (2-tailed) values for Residual ROA, ROE, and NPM were all < 0.001, indicating a significant deviation from normality. The test statistic values (0.167 for ROA, 0.129 for ROE, and 0.256 for NPM), along with high extreme difference values, confirmed that the residuals were non-normally distributed. Additionally, the Monte Carlo Sig. values were below 0.001, further supporting this conclusion. Based on these findings, transformation was necessary to correct the normality assumption violation.

Table 4. Result of Normality Test (After Transformation)

			Residual ROA	Residual ROE	Residual NPM
N			120	120	120
Normal Parameters[a,b]	Mean		0.0000000	0.0000000	0.0000000
	Std. Deviation		0.90249045	1.06123079	0.87887840
Most Extreme Differences	Absolute		0.061	0.066	0.078
	Positive		0.061	0.066	0.044
	Negative		-0.056	-0.061	-0.078
Test Statistic			0.061	0.066	0.078
Asymp. Sig. (2-tailed)[c]			0.200[d]	0.200[d]	0.069
Monte Carlo Sig. (2-tailed)[d]	Sig.		0.329	0.234	0.075
	99% Confidence Interval	Lower Bound	0.317	0.223	0.068
		Upper Bound	0.341	0.245	0.082

Source: SPSS Data Processing Result (2025)

After transformation, as shown in Table 4, the normality of residuals significantly improved. The Asymp. Sig. (2-tailed) values increased to 0.341 for ROA, 0.245 for ROE,

and 0.082 for NPM, indicating that ROA and ROE residuals met the normality assumption, while NPM showed improvement but remained slightly below the 0.05 threshold. The test statistic values also decreased (0.061 for ROA, 0.068 for ROE, and 0.073 for NPM), suggesting better adherence to a normal distribution. Similarly, extreme differences were reduced, confirming that the transformation helped mitigate deviations from normality. While the transformation effectively normalized ROA and ROE, the NPM residuals still exhibited minor deviations (p = 0.082), indicating that some non-normality persisted.

Overall, the results confirm that data transformation was necessary and effective in addressing normality issues, making the dataset more suitable for regression analysis. The regression assumptions were largely satisfied, particularly for ROA and ROE, ensuring more reliable hypothesis testing.

Multiple Linear Regression Test

Table 5. Multiple Linear Regression Analysis Results (Dependent Variable: ROA)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.254	1.001		-5.251	0.000
	CSR	-0.687	0.240	-0.223	-2.866	0.005
	GCG	0.008	0.255	0.003	0.033	0.974
	TOTAL_ASET	6.591E-06	0.000	0.176	2.293	0.024
	DER	-0.547	0.080	-0.546	-6.851	0.000

Source: SPSS Data Processing Result (2025)

Dependent Variable: ROA

The regression analysis reveals that higher CSR spending exerts a significant negative short-term impact on profitability, as indicated by ROA (B = -0.687, p = 0.005), supporting H1 that CSR significantly affects financial performance, albeit negatively. GCG, on the other hand, shows no significant influence on ROA (B = 0.008, p = 0.974), suggesting that governance practices alone do not directly enhance profitability in the mining industry, thereby confirming H2. Total assets have a significant positive effect on ROA (B = 6.591E-6, p = 0.024), implying that larger firms generally achieve better financial outcomes, which supports H3. Meanwhile, DER significantly reduces ROA (B = -0.547, p = 0.000), indicating that higher financial leverage is associated with lower profitability due to increased financial obligations (see Table 5).

With the beta values from the table, the regression equation for ROA is:

$$ROA = -5.254 - 0.687(CSR) + 0.008(GCG) + 6.591E-6(TotalAssets) - 0.547(DER)$$

These findings suggest that CSR investment may hinder short-term profitability, while firm size enhances financial performance. On the other hand, excessive debt levels remain a constraint on profitability.

Table 6. Multiple Linear Regression Analysis Results (Dependent Variable: ROE)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.034	1.177		-4.279	0.000
	CSR	-0.718	0.282	-0.214	-2.546	0.012
	GCG	0.041	0.299	0.012	0.138	0.891
	TOTAL_ASET	7.762E-06	0.000	0.191	2.296	0.023

	DER	-0.456	0.094	-0.418	-4.854	0.000

Source: SPSS Data Processing Result (2025)

Dependent Variable: ROE

As shown in Table 6, the regression results for ROE indicate that increased CSR spending significantly decreases ROE (B = −0.718, p = 0.012), supporting H1 that CSR has a significant, though negative, impact on financial performance, suggesting that sustainability investments may reduce shareholder returns in the short term. GCG shows no significant effect on ROE (B = 0.041, p = 0.891), confirming H2 and implying that governance practices alone may not be sufficient to enhance equity performance. Total assets have a positive and significant effect on ROE (B ≈ 7.762 × 10^{-6}, p = 0.023), supporting H3 and indicating that larger firms are able to generate higher returns through better resource allocation and economies of scale. Conversely, DER significantly reduces ROE (B = −0.456, p < 0.001), suggesting that higher leverage weakens a company's ability to sustain strong equity returns.

With the beta values from the table, the regression equation for ROE is:

$$ROE = -5.034 - 0.718(CSR) + 0.041(GCG) + 7.762E{-}6(TotalAssets) - 0.456(DER)$$

These results suggest that CSR costs may reduce short-term equity returns, governance mechanisms provide limited incremental benefit, firm size enhances performance, and excessive leverage remains a key constraint on equity profitability.

Table 7. Multiple Linear Regression Analysis Results (Dependent Variable: NPM)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.280	0.974		-1.314	0.192
	CSR	0.290	0.233	0.087	1.243	0.217
	GCG	0.105	0.248	0.030	0.422	0.674
	TOTAL_ASET	7.208E-06	0.000	0.178	2.575	0.011
	DER	-0.705	0.078	-0.649	-9.058	0.000

Source: SPSS Data Processing Result (2025)

Dependent Variable: NPM

As presented in Table 7, the regression results show that CSR has no significant effect on NPM (B = 0.290, p = 0.217), indicating that profit margins are not directly influenced by CSR spending, thus leading to the rejection of H1. Similarly, GCG does not significantly affect NPM (B = 0.105, p = 0.674), confirming H2 and suggesting that improved governance practices alone do not guarantee higher profitability in this sector. In contrast, total assets exhibit a positive and significant relationship with NPM (B ≈ 7.208 × 10^{-6}, p = 0.011), partially supporting H3 and implying that larger firms tend to secure better profit margins, likely due to economies of scale. Conversely, DER shows a strong negative impact on NPM (B = -0.705, p < 0.001), reinforcing the view that higher financial leverage reduces profitability by increasing financing costs.

With the beta values from the table, the regression equation for NPM is:

$$NPM = -1.280 - 0.290(CSR) + 0.105(GCG) + 7.762E{-}6(TotalAssets) - 0.705(DER)$$

These results suggest that CSR and GCG alone may not directly influence profitability ratios, but firm size positively affects financial outcomes, while financial leverage poses a significant risk to maintaining strong profit margins.

The findings from the multiple linear regression suggest that while CSR spending may lead to reduced profitability in the short term, it has the potential to offer long-term advantages that are not captured within this study. The analysis demonstrates that CSR is associated with lower financial performance—specifically in terms of ROA and ROE—while showing no meaningful effect on NPM. Furthermore, the lack of a significant relationship between GCG and any of the financial performance indicators (ROA, ROE, or NPM) implies that the mining sector's rigorous governance standards may render additional governance measures less impactful on profitability. Consistently, larger company size (as measured by total assets) is linked to improved financial results, underscoring the profitability benefits of scale. A rising level of DER, in contrast, demonstrably impairs financial outcomes on all measures of financial performance, emphasizing that excessive reliance on debt undermines both stability and profitability.

Model Fit & Goodness-of-Fit Test (R^2 & Adjusted R^2)
The Model Fit & GoF Test evaluates the explanatory power of the regression model by examining R^2 and Adjusted R Square for each dependent variable (ROA, ROE, and NPM). The share of the dependents' total variance that is attributable to the influence of independent (CSR, GCG, Total Assets, and DER) is indicated by the R^2 value. When several independent variables are included, Adjusted R^2 is a more accurate metric that accounts for the number of predictors in the model and avoids overestimation.

Result of Determination Coefficient Test ROA
Table 8. Determination Coefficient – ROA

Model	R	R Square	Adjusted R Square	Standard Error
1	0.575a	0.331	0.307	0.9180518

Source: SPSS Data Processing Result (2025)

The ROA model has a moderate explanatory power, meaning that CSR, GCG, Total Assets, and DER collectively explain 33.1% of ROA variation, while additional factors not covered by the model have an impact on the remaining 66.9%. The little difference between R^2 and Adjusted R^2 indicates that the predictors included in the model make a significant contribution (see Table 8).

Result of Determination Coefficient Test ROE
Table 9. Determination Coefficient – ROE

Model	R	R Square	Adjusted R Square	Standard Error
1	0.468a	0.219	0.191	1.0795292

Source: SPSS Data Processing Result (2025)

Because CSR, GCG, Total Assets, and DER only account for 21.9% of the variation in ROE, while other factors not included in the model account for 78.1%, the ROE model has poor explanatory power. The decrease in Adjusted R^2 suggests that the model might not be highly effective in predicting ROE, potentially due to missing variables or industry-specific factors affecting shareholder returns (see Table 9).

Result of Determination Coefficient Test NPM
Table 10. Determination Coefficient – NPM

Model	R	R Square	Adjusted R Square	Standard Error
1	0.678[a]	0.460	0.441	0.8940326

Source: SPSS Data Processing Result (2025)

Of the three models, the NPM model has the most explanatory power; CSR, GCG, Total Assets, and DER account for 46.0% of the variation in NPM. In comparison to ROA and

ROE, the model appears to be more stable and offers superior predictions for NPM, as indicated by the comparatively high Adjusted R^2 (0.441). 54.0% of NPM fluctuations, however, remain unexplained, suggesting the possible impact of other factors not taken into account by the model (see Table 10).

F-Test (Overall Model Significance)
The F-test (ANOVA) evaluates whether the independent variables (CSR, GCG, Total Assets, and DER) significantly influence the dependent variables (ROA, ROE, and NPM) simultaneously. The ANOVA table's significance value (Sig.) verifies if the entire regression model yields statistically meaningful results.

Table 11. F-Test Results for ROA (Analysis of Variance – ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.863	4	11.966	14.197	0.000[b]
	Residual	96.924	115	0.843		
	Total	144.787	119			

Source: SPSS Data Processing Result (2025)

Evidence from the F-test, which yielded a value of 14.197 with a p-value of 0.000, confirms that the regression model for ROA is statistically meaningful. This demonstrates that CSR, GCG, Total Assets, and DER all have an impact on ROA at the same time, proving that the independent variables together account for changes in ROA. The null hypothesis, according to which the independent factors have no effect on ROA, is rejected since the p-value is less than 0.05, suggesting that at least one of the independent variables significantly affects ROA (see Table 11).

Table 12. F-Test Results for ROE (Analysis of Variance – ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.502	4	9.376	8.045	0.000[b]
	Residual	134.019	115	1.165		
	Total	171.522	119			

Source: SPSS Data Processing Result (2025)

The regression model for ROA is statistically meaningful, as indicated by the F-statistic of 14.197 and p-value of 0.000. This demonstrates that CSR, GCG, Total Assets, and DER all have an impact on ROA at the same time, proving that the independent variables together account for changes in ROA. The null hypothesis, according to which the independent factors have no effect on ROA, is rejected since the p-value is less than 0.05, suggesting that at least one of the independent variables significantly affects ROA (see Table 12).

Table 13. F-Test Results for NPM (Analysis of Variance – ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78.229	4	19.557	24.468	0.000[b]
	Residual	91.919	115	0.799		
	Total	170.148	119			

Source: SPSS Data Processing Result (2025)

The regression model for ROE appears to be statistically meaningful based on the F-statistic of 8.045 and the p-value of 0.000. This indicates that ROE is influenced by CSR, GCG, Total Assets, and DER together. The null hypothesis is rejected since the p-value is significantly < 0.05, indicating that at least one of the independent variables significantly affects ROE. Nevertheless, ROE's F-value is lower than ROA's, suggesting that the model's explanatory power for ROE is lower than that of ROA (see Table 13).

DISCUSSION

The outcomes of this analysis demonstrate that GCG and CSR have distinct effects on financial performance indicators, especially among mining companies listed on the IDX. Specifically, it was observed that CSR does not significantly contribute to influence on NPM, but it does exert a negative effect on both ROA and ROE. This observation aligns with earlier studies suggesting that CSR initiatives can entail short-term financial costs while potentially delivering longer-term benefits (Ismayilov & Rajput, 2018). Other research, such as that by Necib (2023), has argued that CSR activities may improve a firm's reputation and foster greater stakeholder trust, ultimately enhancing financial results in the long run. Similarly, Djalil et al. (2023) highlight that well-implemented CSR programs can increase firm value in emerging markets. Additionally, Susanto and Pratiwi (2023) emphasize that the profitability impact of CSR may be shaped by company size and industry-specific factors. Supporting these perspectives, Sari and Purwanto (2022) found that the interplay between CSR, GCG, and financial outcomes in Indonesian mining companies can differ considerably based on unique company characteristics and regulatory environments. Nonetheless, this study underscores that substantial CSR spending can reduce profitability in the short run.

All three metrics (ROA, ROE, and NPM) showed no discernible impact of GCG on financial performance. The outcome corroborates the findings of Aras and Crowther (2008), which emphasize that the contribution of GCG mechanisms in driving improvements in financial performance depends on the regulatory environment and industry-specific factors. In highly regulated sectors like mining, where governance frameworks are often mandated by law, additional corporate governance mechanisms may not yield substantial incremental benefits (Lestari et al., 2024). Similar findings were documented by Widodo et al. (2022), who observed that the effect of GCG on firm profitability is highly context-dependent and can be diminished in environments with strong external oversight. Organizations with solid governance systems tend to be in a more advantageous position to use CSR activities for financial gains, as governance can help align CSR initiatives with strategic financial goals (Hidayat & Permana, 2022). A systematic review by Wahyuni and Ratnawati (2023) also highlights that in emerging markets, the impact of GCG and CSR on financial outcomes is moderated by institutional context and the maturity of governance frameworks.

Moreover, this study finds that firm size (total assets) positively affects financial performance, indicating that larger firms benefit from economies of scale and better financial stability. This supports the findings of Asmara and Prasetio (2024), who highlighted that profitability often drives sustainability initiatives, particularly in industries with high capital intensity such as mining. The idea that too much leverage raises financial risk and lowers profitability, however, is supported by the DER's continuous and substantial negative impact on financial performance (Pradnyawati et al., 2024). High DER levels indicate greater dependence on debt financing, which can lead to increased interest expenses and financial distress, thereby reducing firm profitability (Firdaus & Ramadhani, 2022).

All things considered, these results add to the expanding corpus of research that looks at the relationship between financial performance, industry-specific limitations, GCG, and CSR. Even though CSR might not provide financial gains right away, its long-term strategic importance cannot be understated (Triwahyuni & Ardiansyah, 2020). Similarly, current regulatory frameworks and industry-specific governance standards may have an impact on GCG's financial performance. Future studies should examine how business strategy and external market conditions moderate the effects of GCG and CSR on financial success in resource-intensive industries (Aisyah & Oktaviani, 2021).

CONCLUSION

This study examines how mining businesses listed on the IDX perform financially between 2019 and 2023 in relation to CSR and GCG. The findings indicate that CSR has a significant negative impact on ROA and ROE, suggesting that CSR investments impose short-term financial burdens on firms. However, CSR does not significantly affect NPM, implying that its impact on overall profitability may depend on firm-specific strategies and long-term stakeholder engagement.

The findings also show that GCG has no discernible effect on the mining industry's financial performance, which is consistent with earlier studies that indicate governance frameworks by themselves might not be enough to boost profitability in highly regulated sectors. Meanwhile, firm size (total assets) positively affects financial performance, indicating that larger firms benefit from operational efficiencies and financial stability. In contrast, financial leverage (DER) negatively impacts all financial performance measures (ROA, ROE, and NPM), reinforcing the risks associated with excessive debt levels.

Both politicians and corporate decision-makers can benefit greatly from these findings. To make sure that sustainability programs are in line with long-term financial goals, businesses should carefully assess their CSR expenditures. Effective capital structure management is also necessary for businesses to strike a balance between financial stability and debt.

LIMITATION

This study has a number of shortcomings in spite of its contributions. First, there may be measurement discrepancies because different businesses do not always report their CSR expenses or classify them in the same manner. Second, some businesses might not set aside a certain amount of money for CSR initiatives, which makes it challenging to compare businesses consistently. Third, the study's concentration on a single industry (mining) and a particular time frame (2019–2023) may restrict its applicability to other industries or economic situations. By enlarging the dataset, integrating more industries, or employing various CSR and governance indicators, future studies could overcome these constraints.

ACKNOWLEDGMENT

The author(s) would like to thank everyone who helped with this study, including colleagues, academic mentors, and data providers who made it easier to gather and examine pertinent corporate governance and financial data. The assistance and knowledge offered were crucial in finishing this project.

DECLARATION OF CONFLICTING INTERESTS

There are no possible conflicts of interest pertaining to the study, writing, or release of this work.

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ABOUT THE AUTHOR(S)

1st Author
Raihan Haris Wiratama is an accounting student at the Faculty of Economics and Business UPN "Veteran" Yogyakarta.
Email: raihanharisw@gmail.com

2nd Author
Januar Eko Prasetio is a faculty member in the Faculty of Economics and Business at UPN"Veteran" Yogyakarta. He holds a doctorate in accounting and is a lecturer in the same field.
ORCID ID: https://orcid.org/0000-0002-2161-4998
Email: januar_ep@upnyk.ac.id