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**DOI:** [10.22219/jrak.v15i3.40673](https://doi.org/10.22219/jrak.v15i3.40673)

**Citation:**  
Fahlevi, F., Irianto, G., Purwanti, L. (2025). The Impact of CSR on Financial Performance: The Mediation Role of Good Corporate Governance. Jurnal Reviu Akuntansi Dan Keuangan, 15(3), 792-804.

**Article Process Submitted:**  
May 7, 2025

**Reviewed:**  
May 28, 2025

**Revised:**  
September 6, 2025

**Accepted:**  
September 29, 2025

**Published:**  
September 29, 2025

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P-ISSN: 2615-2223  
E-ISSN: 2088-0685

Article Type: Research Paper

## THE IMPACT OF CSR ON FINANCIAL PERFORMANCE: THE MEDIATION ROLE OF GOOD CORPORATE GOVERNANCE

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### ABSTRACT

**Purpose:** The purpose of this study is to examine how corporate social responsibility, or CSR, affects a company's financial success, with Good Corporate Governance (GCG) acting as a mediating variable. The research focuses on companies in the mining sector listed on the Indonesia Stock Exchange (IDX) during the period 2021 to 2023.

**Methodology/approach:** This study applies an explanatory quantitative approach using secondary data obtained from annual reports and corporate sustainability reports. Data analysis was performed using panel data regression, with the best model determined based on the results of the Chow, Hausman, and Lagrange Multiplier tests.

**Findings:** Research findings indicate that Corporate Social Responsibility (CSR) has a positive influence on financial performance as measured by Return on Assets (ROA). In addition, Good Corporate Governance (GCG), represented by board diversity, has been proven to mediate the relationship between CSR and company financial performance.

**Practical implications:** The findings suggest that companies should continue strengthening CSR practices to improve financial performance and reconsider the composition of their board to enhance governance effectiveness.

**Originality/value:** This study contributes to the literature by examining the mediation role of GCG in the CSR–financial performance relationship using updated data from a high-impact sector.

**Keywords:** Corporate Governance; Corporate Social Responsibility; Financial Performance; ROA.



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## ABSTRAK

**Tujuan Penelitian:** Tujuan dari penelitian ini adalah untuk mengkaji bagaimana tanggung jawab sosial perusahaan (CSR) mempengaruhi kesuksesan finansial suatu perusahaan., dengan Good Corporate Governance (GCG) berperan sebagai variabel mediasi. Penelitian difokuskan pada perusahaan-perusahaan di sektor pertambangan yang tercatat di Bursa Efek Indonesia (BEI) selama periode 2021 hingga 2023.

**Metode/pendekatan:** Penelitian ini menerapkan pendekatan kuantitatif eksplanatori dengan memanfaatkan data sekunder yang diperoleh dari laporan tahunan dan laporan keberlanjutan perusahaan. Analisis data dilakukan menggunakan metode regresi data panel, dengan penentuan model terbaik didasarkan pada hasil uji Chow, Hausman, dan Lagrange Multiplier.

**Hasil:** Temuan penelitian mengindikasikan bahwa Corporate Social Responsibility (CSR) memiliki pengaruh positif terhadap kinerja keuangan yang diukur dengan Return on Assets (ROA). Selain itu, Good Corporate Governance (GCG), yang direpresentasikan melalui keberagaman dewan direksi (board diversity), terbukti mampu memediasi hubungan antara CSR dan kinerja keuangan perusahaan.

**Implikasi Praktik:** Temuan ini menunjukkan bahwa perusahaan harus terus memperkuat praktik CSR untuk meningkatkan kinerja keuangan dan mempertimbangkan kembali komposisi dewan direksi untuk meningkatkan efektivitas tata kelola.

**Orisinalitas/Kebaharuan:** Penelitian ini memberikan kontribusi pada literatur dengan menguji peran mediasi GCG dalam hubungan CSR-kinerja keuangan dengan menggunakan data terbaru dari sektor yang memiliki dampak tinggi.

**Kata Kunci:** Corporat Governance, Corporate Social Responsibility, Financial Performance; ROA.

## INTRODUCTION

Mining companies, particularly in Indonesia, frequently encounter significant challenges related to the social and environmental ramifications of their operations. This phenomenon is a salient research issue, given that natural resource exploitation activities can result in environmental degradation, social conflicts with local communities, and substantial economic impacts. Therefore, it is essential for companies to introduce CSR initiatives that seek to mitigate societal and environmental problems but also contribute to improved financial outcomes. Although CSR is widely regarded as a fundamental element of corporate

sustainability, existing empirical studies have produced mixed results regarding its impact on financial performance. The current body of literature remains inconclusive, with some research supporting a constructive linkage on CSR practices and CFPI results, while other results suggest the relationship is statistically insignificant. By concentrating on the function of GCG as a possible mediating element that bridges the gap between CSR's effect on the financial results of mining businesses, this study advances academic knowledge. The mining sector was chosen for this study because the empowerment or exploitation of natural resources, especially by companies engaged in the mining sector, can be highly disruptive to the environment and society ([Isacowitz et al., 2022](#)).

[Coelho et al. \(2023\)](#) CFP efficacy of a business is directly influenced by CSR.; the better the business's ESG score, the more important this effect becomes. This is because companies involved in social activities tend to develop a positive image that can Boost financial performance. [Akbar Sulbahri et al. \(2022\)](#) Implementing CSR programs can strengthen consumer loyalty and build investor confidence. Consequently, this enhances the business's financial performance, particularly the ROA and ROE indicators. [Pondrinal \(2021\)](#) findings align with the prevailing academic consensus, it suggest that CSR initiatives positively impact operational efficiency and significantly influence financial performance.

[Kabir & Chowdhury \(2023\)](#), gives different results it reveals that the implementation of CSR has not significantly contributed to the financial performance of the business, because it's still carried out symbolically and has not been able to answer fundamental issues regarding sustainability. [Qilmi \(2021\)](#) underscored that the implementation of CSR in the mining industry is predominantly employed as a strategy for company image and has not demonstrably influenced financial indicators. [Nisa et al. \(2022\)](#) disclosed that CSR's impact on ROA and ROE is impeded due to the nature of mining company products, which are not designed to cater to end users. The inconsistency of the research results raises the suspicion that there are additional factors that may impact how CSR and financial performance are related.

According to the agency theory, conflicts of interest are common in the connection between agents and principals. The directors' board at GCG is responsible for safeguarding the interests of principals ([Tjahjadi et al., 2021](#)). [Markonah & Prasetyo \(2022\)](#) It explains that Financial performance is impacted by GCG both directly and indirectly. GCG has the ability to boost public trust, which is demonstrated by rising total assets and better financial results. The stakeholder theory states, companies need to consider the interests of each and every participant, including shareholders, the environment, and the larger community. In this regard, businesses are supposed to deliver favourable social and environmental effects in addition to pursuing financial profits. Thus, through stakeholder theory, CSR may improve the performance of a business, whereby companies that receive support from their stakeholders can strengthen customer loyalty and attract new customers, thereby improving financial results ([Mahajan et al., 2023](#)). CSR is thought of as a means of fulfilling these responsibilities ([Schaltegger et al., 2019](#)). Moreover, the theory of GCG is pertinent on this context, as effective GCG can enhance the efficacy of procedures for making decisions, including those pertaining to CFP and CSR management.

Diversity in the makeup of the directors' board has been recognized as a crucial element in the application of GCG, as it can strengthen strategic decision-making and support the application of CSR programs more optimally, which consequently can have an improvement in the business's financial results ([Hosny & Elgharbawy, 2022](#)). Having a diverse board of directors can raise the board's knowledge of CSR programmes and offer helpful viewpoints

on social responsibility-related matters ([Kahloul et al., 2022](#)). In addition, Board Diversity is based on the idea that a board with diversity and different skill sets will lead to greater efficiency in the utilization of resources, thereby improving financial performance ([Adegboyegun & Igbekoyi, 2022](#)).

This research attempts to look at experimentally the connection between CSR and CFP businesses involved in Indonesia's mining industry. This study is more targeted and creative since it also investigates how GCG can moderate CSR's effect on CFP, especially from the standpoint of board diversity, which has not been extensively employed in prior research. By doing this, it seeks to offer new perspectives on how CSR and governance practices influence CFP results in the resource-extractive sector.

### **CSR's Effect on Financial Results**

Stakeholders and CSR are closely related. CSR can help companies strengthen their relationships with investors and the community, which can improve their financial performance. ([Nirino et al., 2022](#)). In addition, CSR can be defined as the behavior and actions of a company that aim to create many benefits for various company stakeholders ([Okafor et al., 2021](#)).

Prior research has demonstrated the reciprocal benefits of CSR and CFP, where Businesses must actively implement CSR as a demand from society as stakeholders and at the same time this can improve company performance ([Wu et al., 2020](#)). CSR can help companies gain a favourable reputation among the general public, leading to customer loyalty toward the business's goods and eventually enhancing financial results ([Aritonang & Rahardja, 2022](#)). The research results are further corroborated by ([Okafor et al., 2021](#)), who found that companies that allocate more resources to CSR implementation can enhance profitability, which is a key indicator of financial performance.

CSR affects financial performance because CSR provides what primary stakeholders need, which is essential for the company's survival, such as consumers, the surrounding community, and so on. With CSR, it is hoped that the community or consumers will provide resources to the company. For example, consumers will want to purchase The goods of the business, and the local community will not protest against The business's presence. As a result, the company will be able to perform well, thereby improving its financial performance because it can produce comfortably and sell its products smoothly. The hypothesis has been formulated as follows based on the description given above:

H1: Financial Performance Is Improved by CSR

### **GCG's Function in Moderating CSR's Effect on Financial Performance in Businesses**

When The business's owner, the principal and the agent, who is in charge of running the business in the best interests of the primary, are not the same, agency issues occur ([Schillemans & Bjurström, 2020](#)). In actuality, shareholders are unaware of whether the agent has been managing the business on their behalf. According to agency theory and managerial opportunism hypothesis, when CFP is good, corporate agents tend to sacrifice shareholders' rights for their personal interests ([Ang et al., 2022](#)). Therefore, GCG plays a very important role in minimizing existing agency problems. The emergence of agency problems requires the implementation of GCG. The Board of Directors' function in this regard is very

important to safeguard stockholders' interests ([Tjahjadi et al., 2021](#)). The board of directors has two main roles: providing advice to management through strategic and operational guidelines, and overseeing management performance to reduce agency costs ([Tjahjadi et al., 2021](#)).

The possible conflict of interest between managers (agents) and principals, which might result in agency costs, is clarified by the Agency Theory ([Jensen & Meckling, 1976](#)). The theory explains that managers (agents) act on behalf of owners (principals), but often have information that is not fully known to the owners. In this case, GCG serves to reduce asymmetric information problems and conflicts of interest that could arise between management and owners.

Diversity on the board is crucial to GCG. The diversity encompasses various dimensions, such as gender, educational background, experience, and different cultures, which are expected to improve decision-making to be more objective and innovative, and reduce potential conflicts between managers and owners ([Adegboyegun & Igbekoyi, 2022](#)). Board diversity strengthens GCG by bringing diverse perspectives and experiences, which can optimize decision-making and ensure that implemented CSR policies contribute to achieving better financial performance.

CSR, as a business tactic to enhance stakeholder connections and reputation, which can benefit financial performance. But, without effective GCG, the implementation of CSR risks not bringing optimal results. As a mediator, GCG makes sure that CSR is applied with the values of accountability, transparency, and efficiency, which enhances the business's financial success. The hypothesis has been formulated as follows based on the description given above:

H2: GCG Can Mediate The Effect of CSR on Financial Results

## **METODE**

GCG is employed as a mediating variable in this study using an explanatory research design and a quantitative methodology to investigate the causal connection between financial success and CSR. The study focuses on mining firms that were listed between 2021 and 2023 on the Indonesia Stock Exchange (IDX) based on considerations of data relevance and current economic conditions. This period reflects the post-COVID-19 pandemic situation, in which many companies, including those in the mining sector, have begun operational recovery and business strategy adjustments.

Purposive sampling was used to choose samples according to predetermined standards, including consistent listing status, availability of complete annual and sustainability reports, and comprehensive disclosure of CSR, GCG and CFP data. There were 26 companies with a total of 84 observations during the research period. Secondary data were collected from company websites and the IDX portal. CSR is measured using a disclosure index that is aligned with the 2006 Global Reporting Initiative 3 (GRI 3) standards, which consists of 79 items, Meanwhile, GCG is measured using board diversity with five characteristics ([Harjoto et al., 2015](#)).

Financial performance was assessed using the Return on Assets (ROA) ratio because ROA provides a more comprehensive picture of the effectiveness of a business in using all of its resources to produce revenue. In addition, ROA is a ratio used to assess how effectively a company generates profits from total funds invested in operational activities by utilizing its assets ([Shenurtti et al., 2022](#)). This study does not use control variables because the scope of

the study is explicitly limited to mining companies listed on the Indonesia Stock Exchange (IDX), so that the characteristics of the industry are relatively homogeneous. Furthermore, the main focus of this study is to analyze the direct causal relationship between CSR and financial performance, as well as the mediating role of GCG in this relationship. Thus, the main attention is directed toward the internal mechanisms linking the three variables, rather than other external influences.

This study does not use time lag because it is exploratory in nature and focuses on direct relationships and the mediating role of Good Corporate Governance (GCG). The use of CSR data and financial performance in the same year is considered sufficient to describe the initial relationship between the variables studied. CSR activities can improve financial performance in the same year because CSR can enhance a company's image, making it easier for the company to attract public and media attention, as well as investor recognition and even consumer preferences ([Ang et al., 2022](#)).

The data analysis process involved descriptive statistics, followed by panel data regression using multiple linear regression models. Determining the most appropriate regression model is done through a series of tests, namely the Chow test, Hausman test, and Lagrange Multiplier test. To ensure the validity of the model, classical assumptions were tested, including normality test using Jarque-Bera method, multicollinearity test through Tolerance and Variance Inflation Factor (VIF) values, and heteroscedasticity test using Glejser method. Meanwhile, hypothesis testing is carried out by applying the t-test and F-test, with a significance level set at 5% ( $p < 0.05$ ) ([Bougie & Sekaran, 2020](#)).

Model 1 (direct effect of CSR on ROA):

$$ROA_{it} = \alpha + \beta_1 CSR_{it} + \epsilon_{it}$$

Model 2 (mediation effect of GCG on the CSR–ROA relationship):

$$ROA_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 GCG_{it} + \beta_3(CSR_{it} + GCG_{it}) + \epsilon_{it}$$

## RESULT AND DISCUSSION

Three primary components are used to show and explain the data analysis results: the outcomes of the regression model, the outcomes of the hypothesis test, and descriptive statistical analysis.

### Descriptive Statistics

To give a broad picture of the variables being studied, descriptive statistics are used to summarise the minimum, maximum, standard deviation, and mean values. This study uses Good Corporate Governance (GCG) as a measurement variable to investigate the relationship between a business's financial results and its CSR disclosure.

The subsequent table displays the findings of the research variables' descriptive statistics.

**Table 1. Descriptive Statistics**

	CSR	GCG	ROA
Mean	0,645	0,425	0,142
Maximum	0,782	2,058	0,617
Minimum	0,461	0,012	-0,259
Std. Dev.	0,073	0,417	0,181

**Table 1.**  
Descriptive  
Statistics

Sumber: primary data, processed (2025)

Table 1 shows that the average CSR disclosure by companies in the sample is 64.5%, indicating high compliance with social responsibility reporting, which is reinforced by regulations such as Law No. 40/2007 on Limited Liability Companies, Article 74. The maximum value of CSR disclosure is 78.2% and the minimum is 46.1%, with a standard deviation of 7.3%, indicating a relatively homogeneous distribution among companies. The average GCG implementation measured through board diversity is 0.425, indicating that diversity in the board structure is still low. This is thought to be influenced by male dominance in the company's leadership structure. The maximum value of GCG reaches 2.058 and the minimum is 0.012, with a standard deviation of 0.417, indicating a fairly high variation between companies in GCG implementation. The average ROA as an indicator of financial performance is 14.2%, reflecting fairly good asset utilization efficiency in most companies. The maximum value of ROA was recorded at 61.7%, while the minimum value was -25.9%, indicating significant differences in profitability between companies during the study period.

**Data Analysis and Discussion**

The study's conclusions will be clarified by the discussion of the research findings. the outcomes of assessments of the connection between CSR and financial performance are discussed here, along with the function of GCG as a mediating variable.

**Table 2. Chow Test Results**

<u>Effects Test</u>	<u>Statistic</u>	<u>d.f.</u>	<u>Prob.</u>
<u>Cross-section F</u>	3.388	(19,56)	0.000
<u>Cross-section Chisquare</u>	59.699	19	0.000

**Table 2.**  
Chow Test Results

Sumber: primary data, processed (2025)

**Table 3. Hausman Test Results**

<u>Test Summary</u>	<u>Chi-Sq. Statistic</u>	<u>Chi-Sq. D.f</u>	<u>Prob.</u>
<u>Cross-section random</u>	3.839	2	0.146

**Table 3.**  
Hausman Test Results

Sumber: primary data, processed (2025)

**Table 4. Langrange Multiplier Test**

	<u>Cross-section</u>	<u>Time</u>	<u>Both</u>
<u>Breusch-Pagan</u>	12.651	0.0354	12.686
	(0.000)	(0.852)	(0.000)

**Table 4.**  
Hausman Test Results

Sumber: primary data, processed (2025)

<u>Effects</u>	<u>Hypothesis Direction</u>	<u><math>\beta</math></u>	<u>t-statistics</u>	<u>Prob.</u>	<u>Conclusion</u>
Panel A: Regression Model 1					
CSR →ROA		(19,56)	2,736	0,007	H1 Supported
GCG →ROA		19	0,047	0,190	
R-Square	9,056%				
Adj R <sup>2</sup>	6,631%				
F-Statistic	3,734				
Prob. F	0,028				
Panel B: Regression Model 2					
CSR →ROA	Positive	0,659	2,346	0,021	H1 Supported
GCG →ROA	-	-0,233	-0,474	0,636	-
CSR→GCG →ROA	Positive	0,123	3,405	0,000	H2 Supported
R-Square	9,114%				
Adj R <sup>2</sup>	6,691%				
F-Statistic	3,760				

**Table 5.**  
Hypothesis Testing Results

Prob. F	0,027
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Sumber: Research data processed (2025)

Table 2 shows that the Chow test produced a significance level of 0.000 ( $<0.05$ ), indicating that the Fixed Effect Model (FEM) is preferred over the Common Effect Model (CEM). Subsequently, Table 3 shows that Hausman test was conducted to compare FEM and the Random Effect Model (REM), yielding a significance value of 0.146 ( $>0.05$ ), which supports the use of REM. Table 4 shows that to further confirm model selection between CEM and REM, the Lagrange Multiplier (LM) test was employed, showing a significance level of 0.0000 ( $<0.05$ ). Based on the results of the Chow, Hausman, and LM tests, the Random Effect Model is determined to be the most appropriate for this study.

Table 5. Hypothesis Test Results show that Panel A regression results indicate that CSR has a positive and statistically significant effect on financial performance (ROA), as evidenced by a t-statistic value  $> 1.654$  and a p-value  $< 0.05$ , thus supporting H1. The R-squared value of 0.090 (9.056%) indicates that CSR and GCG together explain approximately 9.06% of the variation in ROA, while the adjusted R-squared is 0.066 (6.631%). The F value of 3.734 ( $>2.66$ ) with a significance level  $< 0.05$  confirms that the regression model is valid. Panel B results show that GCG is able to mediate the effect of CSR on ROA, with a t-statistic  $> 1.654$  and a p-value  $< 0.05$ , thus accepting H2. The R-squared value is 0.091 (9.114%), which is relatively low, indicating that 90.886% of the variation is influenced by variables outside the scope of this study, such as macroeconomic conditions, government policies, global market fluctuations, industry competition, or technological changes. Therefore, this model may not capture all variables contributing to financial performance, leading to a low  $R^2$  and an adjusted R-squared value of 0.066 (6.691%), indicating that approximately 6.69% of ROA variation is explained by the model. The F value is 3.760 ( $>2.66$ ) with  $p < 0.05$ , further confirming that the model is statistically acceptable.

### CSR's Impact on Business Financial Performance

The research investigates how CSR initiatives influence corporate financial performance, based on a sample of mining sector companies from the Indonesia Stock Exchange (IDX) during 2021-2023. The results of the study show that CSR improves financial performance. The results of this investigation align with the findings of earlier studies carried out by [Wu et al. \(2020\)](#), [Aritonang & Rahardja \(2022\)](#), and [Okafor et al. \(2021\)](#). According to these studies, CSR disclosure and implementation in response to community demands can enhance corporate performance. This suggests that CSR disclosure has a substantial influence on financial performance. Corporate social responsibility (CSR) as an idea is predicated of 3P principle, which stands for people (humans), planet (environment), and profit (profit).

The implementation of this 3P concept in a company can positively affect the company's reputation among the general public, especially for key stakeholders such as investors. This result is supported by stakeholder theory, where good implementation of CSR programs can help companies build and strengthen positive relationships with various interested parties, including the surrounding community and shareholders. Harmonious relationships and high trust from stakeholders can have a positive impact on business operations, which ultimately contribute to improving the financial performance of the business ([Nirino et al., 2022](#)). CSR disclosure is expected by society, including consumers, which will provide support for the company. Support in question such as consumers becoming more interested in buying the products offered, while the surrounding community does not reject or oppose the existence of the company. Through developing a cooperative connection between the company and

the environment in which it operates, business operations can run more smoothly. This allows the company to produce optimally without interruption and market its products more effectively, which ultimately contributes to improving the financial performance of the business.

### **GCG's Function in Moderating the Impact of CSR on Business Financial Performance**

Results show that the impact of CSR on the financial performance of mining companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2023 can be mediated by Good Corporate Governance (GCG), as indicated by board diversity. [Kyere & Ausloos \(2021\)](#) states that 'The size of the directors' board as a measure of GCG on financial performance ratios yields results indicating that an increase in board size improves financial performance, and A bigger board facilitates the appropriate distribution of committee tasks to improve financial performance and growth. The research findings also support agency theory, which suggests that the board of directors monitors managerial behavior, which is likely more effective with a larger board size. Additionally, explains that the proportion of independent commissioners has a positive impact on company financial performance. The presence of independent company supervisors is considered to have a significant impact, particularly in fulfilling their role of overseeing company management.

Having a diverse board can assist businesses get more information and exposure to the environment from competitors, suppliers, consumers, legislators, and social organisations. Additionally, by taking into account the opinions of underrepresented groups, board diversity improves independence and decision-making quality. This has an impact on CSR because it allows the board to better address stakeholder concerns, such as those of communities demanding that their rights be upheld in environmental matters, which improves the company's financial performance and reputation ([Khatib et al., 2021](#)). In addition, [Khatib et al. \(2021\)](#) stated that the inclusion of female directors on the board of directors enhances CSR reporting because they offer a wider range of viewpoints and insights to the table. The study conducted by [Hassan et al. \(2020\)](#) confirms that publication of CSR information is connected to diversity. This research adds to our understanding that professional diversity among board members can also have an impact on voluntary disclosure, in addition to board members who possess CPA qualifications (professional membership). Board members with professional membership, particularly in the fields of law, engineering, and accounting, have a strong perception of CSR ([Hassan et al., 2020](#)).

[Hosny & Elgharbawy \(2022\)](#) explains that gender and skill diversity, which are part of board diversity, positively influence financial performance. In addition, board diversity, which is based on the idea that a board with diverse perspectives and skills will lead to greater efficiency in resource utilization, thereby improving financial performance ([Adegboyegun & Igbekoyi, 2022](#)). Based on this, GCG measured using board diversity can mediate the influence of CSR on financial performance because diversity within the board tends to be more sensitive to the environment and, through agency theory, GCG can control corporate agents, thereby improving financial performance.

A diverse board of directors provides advantages in terms of better decision-making and increased corporate transparency. Diversity in the board of directors, whether in terms of gender, expertise, age, non-executive experience, or tenure, enables more dynamic dialogue and diverse perspectives in addressing business and environmental challenges. A diverse board will be better able to respond to social and environmental needs related to CSR and create policies that are more responsive to stakeholder demands. Through agency theory, a

larger and more diverse board of directors will be more effective in supervising management and ensuring that CSR policies are implemented optimally. This will result in improved financial performance because companies that are active in CSR tend to be more attractive to investors and consumers, as well as enhance their reputation and customer loyalty. Thus, diversity in the board of directors not only strengthens oversight of management but also enhances the effectiveness of CSR implementation, which in turn contributes to better financial performance

## CONCLUSION

The financial performance of Indonesian mining businesses is significantly improved by CSR measures, according to the study's findings, especially when it comes to increasing Return on Assets (ROA). According to stakeholder theory, which emphasises that stakeholder satisfaction is a crucial component in corporate value creation, this suggests that businesses that actively and consistently implement CSR programs—whether in the form of environmental or social responsibility—will experience long-term financial benefits. The 3P principle—people, planet, and profit (financial gain)—is the foundation of the corporate social responsibility (CSR) idea. Businesses can improve their public perception of themselves by implementing the 3P principle, particularly with regard to important stakeholders like investors. According to agency theory, the function of good corporate governance (GCG), which allows directors to regulate manager behaviour, can mitigate the impact of CSR on financial performance. A diverse board of directors will be better able to respond to social and environmental needs related to CSR and create policies that are more responsive to stakeholder demands. Through agency theory, a larger and more diverse board of directors will be more effective in supervising management and ensuring that CSR policies are implemented optimally. One of the main limitations is that this study measures CSR based on annual reports and data provided by companies. Not all companies disclose their CSR practices transparently, which can lead to bias or incompleteness in CSR measurement. Therefore, CSR disclosure in sustainability reports is a limitation that companies are expected to address by disclosing more transparently in the future. These findings open up opportunities for further research to expand the scope to other industrial sectors and consider qualitative or mixed approaches to better understand the factors influencing the effectiveness of CSR and GCG on corporate financial performance.

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