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

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ABSTRACT

Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) are essential factors influencing corporate financial performance, particularly in highly regulated sectors such as the mining industry. This research investigates the effect of CSR and GCG on the financial performance of mining firms listed on the Indonesia Stock Exchange (BEI) from 2019 to 2023. Financial performance is assessed through Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). A quantitative approach utilizing multiple regression analysis is employed to explore the relationship between CSR, GCG, and financial performance, while also accounting for control variables such as company size (Total Assets) and financial leverage (Debt-to-Equity Ratio). The results show that CSR considerably reduces ROA and ROE but has no discernible effect on NPM, suggesting that CSR expenses could result in short-term financial strains. However, GCG has little effect on financial performance, indicating that governance measures in the mining industry may already be enforced by regulatory compliance. Additionally, Total Assets positively impact financial performance, whereas DER negatively affects it. These findings provide insights for corporate decision-makers regarding CSR's financial trade-offs and the role of corporate governance in regulated industries. Companies must balance sustainability investments to optimize long-term financial benefits. Future research should explore the prolonged impact of CSR and GCG across different industries.

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