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# 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.

## INTRODUCTION

Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) are two fundamental aspects that have been widely studied in relation to corporate financial performance. CSR initiatives are often associated with enhancing long-term sustainability, building stakeholder trust, and strengthening corporate reputation. However, empirical findings on the financial effects of CSR remain inconsistent. While some research indicates a positive correlation between CSR and financial performance, others report neutral or even adverse outcomes, depending on industry characteristics and regulatory environments (Jarboui et al., 2023; Bae et al., 2021).

There is ample evidence that Good Corporate Governance (GCG) contributes to better financial results for businesses. Strong governance frameworks are thought to improve accountability, decision-making, and investor trust, all of which eventually improve financial performance. It is not always clear how GCG and financial results are related, though. While some studies reveal little to no benefit of GCG, especially in businesses with complicated regulatory frameworks and large external dependencies, others demonstrate considerable positive effects on return on equity (ROE) and net profit margin (NPM) (Putra et al., 2021; Azis & Hartono, 2017).

The mining industry provides a relevant context for analyzing the interplay between CSR, GCG, and financial performance. Mining firms are subject to strict regulatory oversight and often operate in environmentally and socially sensitive areas. CSR initiatives are commonly implemented to manage community relations, environmental responsibilities, and regulatory compliance. However, the financial implications of these initiatives remain debated. Some research suggests that CSR positively influences mining companies' financial stability, while other studies indicate that CSR expenses may reduce profitability in the short term (Jarboui et al., 2023).

Likewise, it is anticipated that GCG practices—like board independence and transparency—will improve the mining industry's financial stability. The results of this study, however, show that GCG has no discernible impact on financial performance, indicating that governance practices by themselves might not be enough to promote profitability in this sector.

In light of these complications, this study looks at how CSR and GCG affect the financial results of mining businesses that are listed between 2019 and 2023 on the Indonesia Stock Exchange (BEI). The study's findings show that, although CSR has no discernible influence on NPM, it dramatically reduces ROA and ROE. At the same time, GCG has little impact on financial results. These results run counter to certain other studies and emphasize the necessity of industry-specific analysis to comprehend the ways in which GCG and CSR affect corporate financial results. The findings offer crucial new information about how governance and sustainability practices affect mining companies' bottom lines.

## LITERATURE REVIEW

The connection between CSR, GCG, and financial performance has been the subject of numerous research. Prior research suggests that well-implemented CSR activities enhance corporate reputation, leading to financial benefits. Similarly, strong corporate governance structures reduce agency costs and improve decision-making. However, conflicting results in existing literature necessitate further examination within the mining sector.

### Corporate Social Responsibility (CSR) and Financial Performance

Corporate Social Responsibility (CSR) refers to a company's dedication to operating in a manner that maintains a balance between the interests of multiple stakeholders while ensuring economic, social, and environmental sustainability (Carroll, 1991). CSR initiatives in businesses can include community development, employee welfare initiatives, environmental sustainability initiatives, and moral corporate conduct.

### Good Corporate Governance (GCG) and Financial Performance

The term "good corporate governance" (GCG) describes a set of guidelines, procedures, and practices that govern how a business is run (Cadbury Committee, 1992). Transparency, accountability, responsibility, independence, and justice are among GCG's core values. According to Jensen and Meckling (1976), efficient corporate governance systems are thought to increase decision-making, boost investor confidence, and lessen agency issues.

### CSR, GCG, and Financial Performance in the Mining Sector

The mining industry is one of the most heavily regulated sectors due to its significant environmental and social impact. CSR is often implemented in mining companies to address concerns related to environmental sustainability, community welfare, and ethical business practices. However, the financial benefits of CSR in the mining sector remain debated. Some studies suggest that CSR investments help companies gain community acceptance, mitigate regulatory risks, and ensure long-term profitability (Jarboui et al., 2023). Others argue that CSR may reduce short-term financial performance, as compliance with sustainability initiatives often requires substantial capital investment. Findings from this study support the latter perspective, as CSR was found to negatively affect ROA and ROE, possibly due to high compliance costs.

In a similar vein, GCG is anticipated to be essential in guaranteeing ethical company conduct in the mining industry. Enhancing corporate responsibility and safeguarding shareholder interests are the goals of governance measures like transparent reporting, independent board monitoring, and risk management procedures. The results of this study, however, show that GCG has no discernible impact on financial performance, indicating that governance practices by themselves might not be enough to promote profitability in this sector. This may be because the mining industry already imposes external governance rules, which reduces the advantages of internal GCG procedures.

These conflicting results show that in order to fully comprehend how CSR and GCG affect corporate financial performance in the mining industry, industry-specific analysis are required. The long-term effects of CSR and GCG on financial performance in resource-intensive companies require more investigation given the growing emphasis on sustainability and governance.

**Theoretical Framework**

1. The Theory of Good Corporate Governance (GCG) A system known as "good corporate governance" (GCG) governs and manages businesses in order to generate value for all parties involved. According to Cadbury Committee (1992), GCG ensures that companies operate transparently, accountably, responsibly, and fairly. In the mining sector, GCG is essential to mitigate risks associated with environmental regulations, operational safety, and shareholder trust. Effective governance mechanisms, such as independent board oversight, transparent financial disclosures, and audit committees, contribute to financial stability and enhance investor confidence. However, as shown in this study, GCG did not significantly affect financial performance, indicating that external regulatory requirements may already enforce governance practices, reducing their incremental impact.
2. CSR, or corporate social responsibility The theory behind corporate social responsibility, or CSR, is that businesses have responsibilities that go beyond maximizing profits, such as social and environmental duties. Carroll's CSR Pyramid (1991) categorizes CSR into four levels: economic, legal, ethical, and philanthropic responsibilities. In the mining industry, CSR plays a crucial role in maintaining social license to operate, reducing environmental damage, and building good relationships with local communities. However, this study found that CSR negatively impacts ROA and ROE, which may indicate that high compliance costs associated with sustainability efforts outweigh the potential reputational and financial benefits.
3. The theory of stakeholders (Freeman, 1984) According to stakeholder theory, businesses need to take into account the interests of all parties involved, including as shareholders, staff members, clients, communities, and regulators. Implementing CSR practices allows companies to maintain legitimacy and improve relationships with stakeholders, leading to better financial performance. However, findings from this study suggest that CSR does not always yield positive financial returns, indicating that firms must carefully balance stakeholder expectations with cost-efficiency strategies.
4. Jensen and Meckling's 1976 Agency Theory The tension between shareholders (principals) and managers (agents) is explained by agency theory. Good Corporate Governance (GCG) mechanisms help align management actions with shareholder interests by enforcing transparency, accountability, and strong control measures. However, the findings in this study suggest that GCG does not significantly impact financial performance, possibly because agency issues in mining firms are already mitigated by external regulatory oversight.
5. Legitimacy Theory (Suchman, 1995) Legitimacy theory suggests that organizations seek legitimacy from society to ensure their survival and success. In the mining industry, companies engage in CSR activities to comply with societal expectations and regulatory requirements. Nevertheless, the results show that CSR has a detrimental impact on financial performance, indicating that although businesses may participate in CSR to preserve their reputation, financial gains are not necessarily the result.

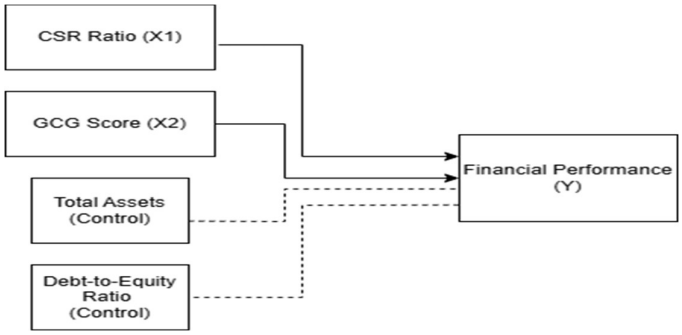
**Conceptual Framework**

This study looks at how the mining industry's financial performance is affected by good corporate governance (GCG) and corporate social responsibility (CSR). While financial success, as determined by Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin (NPM), is the dependent variable, CSR and GCG are regarded as independent variables. In order to evaluate their moderating effect on the link between

CSR, GCG, and financial performance, Total Assets and Debt-to-Equity Ratio (DER) are also included as control variables.

Because sustainability measures in the mining industry come with significant regulatory expenses, CSR is predicted to have a detrimental effect on financial performance. The results of this study show that GCG has no discernible impact on financial performance, despite the conventional belief that it does so by fortifying governance frameworks. Financial performance is projected to be positively impacted by the function of total assets as a control variable, but DER is expected to have a negative influence because of the financial costs associated with high levels of leverage.

**Conceptual Framework Diagram**




The framework can be represented as follows:

- Independent Variables:
  - Corporate Social Responsibility (CSR) → Measured as CSR expenditure/revenue.
  - Good Corporate Governance (GCG) → Measured as the proportion of independent commissioners to total commissioners.
- Control Variables**:**
  - Total Assets (log-transformed) → Expected positive effect on financial performance.
  - Debt-to-Equity Ratio (DER) (Total Liabilities / Total Equity) → Expected negative effect on financial performance.
- Dependent Variable:
  - Financial Performance (ROA, ROE, NPM)

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:** Corporate Social Responsibility (CSR) has significant effect on financial performance (ROA, ROE, NPM).
- **H2:** Good Corporate Governance (GCG) has no significant effect on financial performance (ROA, ROE, NPM).
- **H3:** Total Assets as a control variable influences the relationship between CSR, GCG, and financial performance.

- **H4:** Debt-to-Equity Ratio (DER) as a control variable influences 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

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

1. **Population and Sample**
   The population of this study includes mining companies listed on the Indonesia Stock Exchange (BEI) from 2019 to 2023. The sampling method used is purposive sampling, selecting companies that meet specific criteria: (1) listed on BEI, (2) consistently publish annual reports with CSR and GCG disclosures, and (3) have complete financial data for the study period.

2. **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 measured using the ratio of independent commissioners to the total number of commissioners.

3. **Variables and Measurement**
   - **Independent Variables:**
     - Corporate Social Responsibility (CSR) → Measured by CSR expenditure divided by revenue (%).
     - Good Corporate Governance (GCG) → Measured by the proportion of independent commissioners to total commissioners (%).
   - **Dependent Variables:**
     - Financial Performance → Measured by Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) (all in %).
   - **Control Variables:**
     - Total Assets (logarithmic transformation applied to standardize data).
     - Debt-to-Equity Ratio (DER) (measured in %).

### Data Analysis Method

Multiple regression analysis is used in this study to investigate the connection between financial success, GCG, and CSR. This regression analysis also makes use of the SPSS 30 program. The following is the formulation of the regression model :

$$Y = \beta 0 + \beta 1(CSR) + \beta 2(GCG) + \beta 3(Total\ Assets) + \beta 4(DER) + \varepsilon$$

Where:

- **Y** = Financial Performance (**ROA, ROE, NPM**)
- **β0** = Constant
- **β1, β2, β3, β4** = Regression Coefficients

- **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** = Debt-to-Equity Ratio (**Total Liabilities / Total Equity**)
- **ε** = Error Term

This method helps determine whether CSR and GCG significantly influence financial performance while controlling for firm size and leverage.

**Variable Description**

**Corporate Social Responsibility (CSR) Measurement**
The percentage of a company's revenue that is devoted to corporate social responsibility 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 percentage of independent commissioners compared 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 :
where:

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

**Leverage (DER) Measurement**
Debt-to-Equity Ratio (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, the natural logarithm of total assets is used to estimate the size of the company. 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 measured using three key financial ratios:

1. Return on Assets (ROA): ROA measures how efficiently a company utilizes its assets to generate profit. The formula is as follows:

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

2. Return on Equity (ROE): ROE measures the return generated on shareholders' equity and is calculated as:

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

3. 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 study will analyze how these factors influence financial performance measures, including Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin (NPM).

## RESULTS

This section presents the study's findings, including the results of the regression analysis, assumption testing, and descriptive statistics. These analyses aim to evaluate the financial performance of mining companies listed on the Indonesia Stock Exchange (BEI) from 2019 to 2023 in relation to Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG).

### Descriptive Statistic

Descriptive statistics summarize the key characteristics of the dataset before and after transformation. The first table presents the descriptive statistics of the original dataset, while the second table displays the statistics after transformation to improve normality and data distribution.

**Table 1. Descriptive Statistic Result**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| CSR | 120 | .000000 | .029300 | .00295000 | .00423972 8 |
| GCG | 120 | .2000 | .8333 | .426063 | .1085363 |
| ROA | 120 | -.2500 | .6163 | .109176 | .1626108 |
| ROE | 120 | -2.5436 | 1.2466 | .137242 | .4147530 |
| NPM | 120 | -.6541 | 6.5940 | .170686 | .6256941 |
| TOTAL_ASET | 120 | 828.41 | 160393.03 | 25112.7709 | 29476.65694 |
| DER | 120 | .0965 | 24.8506 | 1.448231 | 2.6052638 |
| Valid N (listwise) | 120 | | | | |

Source : SPSS data processing result (2025)

In the original dataset, CSR Ratio has a mean of 0.00295 with a standard deviation 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.

**Table 2. Result of Statistic Descriptive**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| | Statistic | Statistic | Statistic | Statistic | Statistic |
| CSR | 120 | .0000 | .0293 | .002950 | .0042397 |
| GCG | 120 | .2000 | .8333 | .426063 | .1085363 |
| ROA | 120 | -.2500 | .6163 | .109176 | .1626108 |
| ROE | 120 | -2.5436 | 1.2466 | .137242 | .4147530 |
| NPM | 120 | -.6541 | 6.5940 | .170686 | .6256941 |
| TOTAL_ASET | 120 | 872.00 | 159618.99 | 25106.6838 | 29446.57291 |
| DER | 120 | .0965 | 24.8506 | 1.448231 | 2.6052638 |
| Valid N (listwise) | 120 | | | | |

Source : SPSS data processing result (2025)

After transformation, ROA and ROE 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.

**Assumption Testing**
To ensure the validity of the regression model, several assumption tests were conducted:

1. **Normality Test**

**Table 3. Result of Normality Test (Before Transformation)**

**One-Sample Kolmogorov-Smirnov Test**

| | | Residual ROA | Residual ROE | Residual NPM |
|---|---|---|---|---|
| N | | 120 | 120 | 120 |
| Normal Parameters[a,b] | Mean | .0000000 | .0000000 | .0000000 |
| | Std. Deviation | .15121238 | .30365594 | .52865293 |
| Most Extreme Differences | Absolute | .167 | .129 | .256 |
| | Positive | .167 | .126 | .256 |
| | Negative | -.111 | -.129 | -.203 |
| Test Statistic | | .167 | .129 | .256 |
| Asymp. Sig. (2-tailed)[c] | | <,001 | <,001 | <,001 |
| Monte Carlo Sig. (2-tailed)[d] | Sig. | <,001 | <,001 | <,001 |
| | 99% Confidence Interval Lower Bound | .000 | .000 | .000 |
| | 99% Confidence Interval Upper Bound | .000 | .000 | .000 |

Source : SPSS data processing result (2025)

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.

**Tabel 4: Result of Normality Test (After Transformation)**

**One-Sample Kolmogorov-Smirnov Test**

| | | | Residual ROA | Residual ROE | Residual NPM |
|---|---|---|---|---|---|
| N | | | 120 | 120 | 120 |
| Normal Parameters[a,b] | Mean | | .0000000 | .0000000 | .0000000 |
| | Std. Deviation | | .90249045 | 1.06123079 | .87887840 |
| Most Extreme Differences | Absolute | | .061 | .066 | .078 |
| | Positive | | .061 | .066 | .044 |
| | Negative | | -.056 | -.061 | -.078 |
| Test Statistic | | | .061 | .066 | .078 |
| Asymp. Sig. (2-tailed)[c] | | | .200[d] | .200[d] | .069 |
| Monte Carlo Sig. (2-tailed)[e] | Sig. | | .329 | .234 | .075 |
| | 99% Confidence Interval | Lower Bound | .317 | .223 | .068 |
| | | Upper Bound | .341 | .245 | .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 Liniear Regression Analysis Results**
**Table 5 :**

Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -5.254 | 1.001 | | -5.251 | .000 |
| | CSR | -.687 | .240 | -.223 | -2.866 | .005 |
| | GCG | .008 | .255 | .003 | .033 | .974 |
| | TOTAL_ASET | 6.591E-6 | .000 | .176 | 2.293 | .024 |
| | DER | -.547 | .080 | -.546 | -6.851 | .000 |

Source : SPSS data processing result (2025)

**a. Dependent Variable: ROA**

Higher CSR spending appears to have a negative short-term impact on profitability, according to the regression results for Return on Assets (ROA) (B = -0.687, Sig. = 0.005). ROA is not significantly impacted by GCG (B = 0.008, Sig. = 0.974), suggesting that governance practices by themselves do not directly lead to increased mining industry profitability. ROA is positively impacted by total assets (B = 6.591E-6, Sig. = 0.024), indicating that larger companies typically have better financial results. DER significantly reduces ROA (B = -0.547, Sig. = 0.000), indicating that businesses with more financial leverage are less profitable because of their greater financial commitments..

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 highlight that CSR investment can be costly in the short term, firm size benefits profitability, and excessive debt hinders financial performance.

**Table 6 :**

Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -5.034 | 1.177 | | -4.279 | .000 |
| | CSR | -.718 | .282 | -.214 | -2.546 | .012 |
| | GCG | .041 | .299 | .012 | .138 | .891 |
| | TOTAL_ASET | 7.762E-6 | .000 | .191 | 2.296 | .023 |
| | DER | -.456 | .094 | -.418 | -4.854 | .000 |

Source : SPSS data processing result (2025)

**b. Dependent Variable: ROE**

The regression results for Return on Equity (ROE) reveal a similar trend, where CSR negatively affects ROE (B = -0.718, Sig. = 0.012), indicating that sustainability investments reduce shareholder returns. GCG does not significantly impact ROE (B = 0.041, Sig. = 0.891), reinforcing the notion that corporate governance policies alone may not be sufficient to enhance shareholder value. Total Assets positively impact ROE (B = 7.762E-6, Sig. = 0.023), confirming that larger firms have a higher return on equity, perhaps as a result of improved resource allocation and economies of scale. ROE is

strongly impacted negatively by DER (B = -0.456, Sig. = 0.000), indicating that companies with significant levels of leverage find it difficult to sustain robust 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 findings indicate that CSR expenses may not be immediately beneficial to shareholders, governance mechanisms have limited impact on profitability, and financial leverage remains a critical factor affecting equity performance.

**Table 7 :**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1.280 | .974 | | -1.314 | .192 |
| | CSR | .290 | .233 | .087 | 1.243 | .217 |
| | GCG | .105 | .248 | .030 | .422 | .674 |
| | TOTAL_ASET | 7.208E-6 | .000 | .178 | 2.575 | .011 |
| | DER | -.705 | .078 | -.649 | -9.058 | .000 |

Source : SPSS data processing result (2025)

**c. Dependent Variable: NPM**
Regression analysis of Net Profit Margin (NPM) reveals that CSR has no significant impact on NPM (B = -0.290, Sig. = 0.217), suggesting that profit margins may not be directly impacted by CSR initiatives. Additionally, GCG has no discernible impact on NPM (B = 0.105, Sig. = 0.674), indicating that governance practices may not always translate into increased mining industry profitability. Nonetheless, NPM is positively impacted by total assets (B = 7.762E-6, Sig. = 0.023), suggesting that larger businesses have higher profit margins. The fact that DER significantly lowers NPM (B = -0.705, Sig. = 0.000) supports the idea that excessive debt levels reduce profitability by raising financial expenses.
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 multiple linear regression analysis indicates that Corporate Social Responsibility (CSR) investments may reduce short-term profitability, though they could yield long-term benefits beyond the scope of this study. The results show that CSR negatively affects financial performance, as measured by Return on Assets (ROA) and Return on Equity (ROE), while having no significant influence on Net Profit Margin (NPM). Additionally, the absence of a noticeable effect of Good Corporate Governance (GCG) on financial performance (ROA, ROE, or NPM) suggests that governance regulations in the mining industry are already stringent, meaning that GCG alone does not directly drive profitability. The consistent positive correlation between firm size (total assets) and financial performance highlights the advantages of scale in enhancing profitability. Meanwhile, the debt-to-equity ratio (DER) has a significant negative impact on all financial performance indicators, reinforcing the notion that excessive financial leverage diminishes stability and profitability.

**Model Fit & Goodness-of-Fit Test ($R^2$ & Adjusted $R^2$)**
The Model Fit & Goodness-of-Fit Test evaluates the explanatory power of the regression model by examining R Square ($R^2$) and Adjusted R Square for each dependent variable (ROA, ROE, and NPM). The percentage of variance in the dependent variable that can be accounted for by the independent variables (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:**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .575[a] | .331 | .307 | .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 R2 and Adjusted R2 indicates that the predictors included in the model make a significant contribution.

**Result of Determination Coefficient Test ROE**
**Table 9:**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .468[a] | .219 | .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.

**Result of Determination Coefficient Test NPM**
**Table 10:**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .678[a] | .460 | .441 | .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 R2 (0.441). 54.0% of NPM fluctuations, however, remain unexplained, suggesting the possible impact of other factors not taken into account by the model.

**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.) establishes whether the regression model as a whole is statistically significant.

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

ANOVA[a]

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 47.863 | 4 | 11.966 | 14.197 | .000[b] |
| | Residual | 96.924 | 115 | .843 | | |
| | Total | 144.787 | 119 | | | |

Source : SPSS data processing result (2025)

The regression model for ROA is statistically significant, 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 return on assets. 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.

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

ANOVA[a]

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 37.502 | 4 | 9.376 | 8.045 | .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 significant, 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 return on assets. 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.

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

ANOVA[a]

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 78.229 | 4 | 19.557 | 24.468 | .000[b] |
| | Residual | 91.919 | 115 | .799 | | |
| | Total | 170.148 | 119 | | | |

Source : SPSS data processing result (2025)

The regression model for ROE appears to be statistically significant 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 less than 0.05, indicating that at least one of the independent variables significantly affects return on equity. 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.

## DISCUSSION

The findings of this study indicate that Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) influence financial performance metrics differently, particularly for mining companies listed on the Indonesia Stock Exchange (IDX). The results reveal that while CSR does not significantly impact Net Profit Margin (NPM), it negatively affects Return on Assets (ROA) and Return on Equity (ROE). This is consistent with previous research suggesting that CSR initiatives may impose short-term financial costs while potentially offering long-term advantages (Ismayilov & Rajput, 2018). Several studies, including Necib (2023), propose that CSR can enhance a company's reputation and strengthen stakeholder trust, ultimately leading to improved financial performance over time. However, as observed in this study, the immediate financial burden of CSR expenditures may reduce short-term profitability.

All three metrics (ROA, ROE, and NPM) showed no discernible effect of GCG on financial performance. This finding aligns with the research by Aras and Crowther (2008), which suggests that the effectiveness of GCG in improving 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). Firms with strong governance structures are better positioned to use CSR activities for financial gains, according to several research, such as Vania (2021), which demonstrated that GCG can positively modify the association between CSR and financial success.

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 & 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 Debt-to-Equity Ratio's (DER) 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.

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. 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.

## CONCLUSION

This study examines how mining businesses listed on the Indonesia Stock Exchange (IDX) do financially between 2019 and 2023 in relation to Corporate Social Responsibility (CSR) and Good Corporate Governance (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. Future studies should look more closely at how CSR affects business value over the long run and how industry-specific factors influence the connection between financial results and governance procedures.

## 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 study could overcome these constraints.

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## 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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