



# Corporate Governance, CSR Disclosure, and Firm Value: Evidence from Indonesia's Mining Industry

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**Abstract.** This study aims to analyze the effect of Corporate Social Responsibility Disclosure (CSR) on firm value, as well as the role of Corporate Governance (CG) as a moderating variable in mining sector companies listed on the Indonesia Stock Exchange. This study highlights the relevance of Stakeholder Theory and Agency Theory as the analytical foundation for examining the relationship between social responsibility and governance in creating long-term value. Data were obtained from annual reports from 2021–2024 to show trends in the integration of ESG (Environmental, Social, and Governance) within the extractive industry. The research method uses a quantitative approach with multiple regression models and absolute moderation tests (Absolute Value Difference Test). CSR is measured using the GRI 4 disclosure index, which covers environmental, labor, product, and community aspects, while CG is proxied by managerial and institutional ownership, board size, and the proportion of independent commissioners. Firm value is measured using Tobin's Q ratio. The results indicate that CSR has a significant positive impact on firm value, while CG strengthens this relationship. The implementation of good governance has been proven to enhance the credibility of CSR disclosure and investor trust. Recent literature updates show a trend that integrating CSR, CG, and ESG strengthens firm value through enhanced reputation and access to sustainable financing. These findings expand on previous research by emphasizing that sustainability and effective governance are key determinants of firm value in the post-pandemic era.

**Keywords:** Corporate Governance, Corporate Social Responsibility Disclosure, Firm Value, ESG, Mining Industry

## 1 Introduction

Over the past two decades, Corporate Social Responsibility (CSR) has undergone a fundamental transformation: from merely a form of philanthropy to a strategic element in sustainability-based corporate governance. This development is driven by pressure from various stakeholders, including investors, regulators, society, and international institutions, who demand transparency and accountability regarding the social and environmental impacts of business activities. In Indonesia, this transformation has been reinforced by the enactment of Law No. 40 of 2007 concerning Limited Liability

Companies, which requires companies in the natural resources sector, particularly mining, to implement social and environmental responsibility as an integral part of their operations.

The global paradigm shift further strengthens this transition. Regulations such as the OECD Principles of Corporate Governance [1] and the OJK Green Taxonomy [2] emphasize the importance of integrating Environmental, Social, and Governance (ESG) principles into corporate reporting and strategic decision-making. In this context, CSR is no longer seen as a cost burden, but rather as a long-term investment with the potential to enhance social legitimacy, strengthen reputation, and ultimately create corporate value.

Nevertheless, the relationship between CSR and corporate value remains a subject of debate in academic literature. Classical views such as Friedman [3] and Vance [4] argue that CSR diverts resources from the company's primary goal of maximizing profit and may potentially reduce short-term financial performance. Conversely, contemporary empirical studies such as Jo & Harjoto [5], and Wahyuni & Suhardjanto [6] demonstrate that consistent and transparent CSR disclosure actually increases market valuation (for example, through the Tobin's Q indicator), lowers the cost of capital, and attracts sustainable investor interest. Similar findings are also reported by Zhang et al. [7] in China and Khan, Ali, & Rahman [8] globally, which confirm that authentic CSR strengthens a company's resilience against reputation and litigation risks, especially in extractive sectors such as mining.

Within this framework, Corporate Governance (CG) emerges as a crucial element that moderates the effectiveness of CSR in creating value. As a control mechanism to reduce agency conflicts [9], CG ensures that CSR initiatives are not merely symbolic or greenwashing, but are implemented substantively and accountably. Studies by Arora & Sharma [10], Aluchna et al. [11], and Ameer & Khan [12] show that strong governance structures, such as a high proportion of independent boards, institutional ownership, and effective audit committees, are able to strengthen the credibility of CSR reporting and increase its positive impact on corporate value. In Indonesia, Widyastuti & Rahmawati [13] also proved that the quality of corporate governance disclosure enhances the relationship between CSR and corporate value, particularly in strengthening the confidence of minority shareholders.

The mining industry provides a highly relevant empirical context in which to test this relationship. Its sectoral characteristics which involve natural resource exploitation, significant environmental impacts, and dependence on a social license to operate make it highly vulnerable to social and regulatory pressures. García-Sánchez & Raimo [14] found that mining companies with high CSR transparency tend to have better market valuations, as investors now incorporate ESG aspects into risk analyses and assessments of potential returns.

Although the literature has developed rapidly, inconsistencies in empirical findings still occur. This is due to differences in CSR measurement indicators, jurisdictional context, industry structure, and observation periods. In addition, most previous studies have treated CSR as a direct independent variable, while the role of CG as a theoretically crucial moderating variable has not been fully explored in depth in the Indonesian context, particularly in the mining industry.

Therefore, this study aims to re-examine the effect of Corporate Social Responsibility Disclosure on corporate value with Corporate Governance as a moderating variable in mining companies in Indonesia. By updating classic conceptual models through a contemporary ESG lens, this research contributes to strengthening Stakeholder and Agency theory in explaining how the integration of CSR and CG creates sustainable value. The research findings are expected to provide practical implications for company management, investors, and regulators in designing governance policies that support transparency, accountability, and long-term growth in the increasingly sustainability-oriented post-pandemic era.

## **2 Literature Review**

### **2.1 Stakeholder Theory and Agency Theory**

The two main theoretical foundations that explain the relevance of CSR and corporate governance (CG) in creating corporate value are Stakeholder Theory [15] and Agency Theory [9]. Stakeholder Theory rejects the narrow view that a company's sole objective is to maximize profits for shareholders. Instead, this theory emphasizes that a company is an entity operating within a complex network of stakeholders, including employees, suppliers, consumers, local communities, governments, and the environment. Therefore, the company's long-term sustainability depends on its ability to meet the expectations of these various groups. In the context of the mining industry, where operational impacts on communities and ecosystems are significant, the application of Stakeholder Theory becomes crucial. CSR is viewed as a strategic mechanism to build a social license to operate and manage relationships with non-financial stakeholders [14].

On the other hand, Agency Theory explains the potential conflicts of interest between principals (shareholders) and agents (management) due to information asymmetry and differing objectives. Managers may pursue personal interests such as empire building or social reputation by using company funds for CSR activities that do not have economic value. To reduce the risk of agency costs, effective oversight mechanisms are needed, such as independent boards of commissioners, audit committees, and reporting transparency. From this perspective, CG functions as a monitoring device to ensure that CSR initiatives truly benefit shareholders, rather than merely serving as a tool for symbolic legitimacy.

These two theories complement each other: Stakeholder Theory justifies the need for CSR as a response to social demands, while Agency Theory highlights the need for strong governance to ensure that CSR is implemented efficiently and accountably.

### **2.2 Corporate Social Responsibility (CSR)**

Corporate Social Responsibility (CSR) has evolved from a philanthropic concept into an integral business strategy that incorporates social, environmental, and economic considerations into the core of company operations [16]. According to modern definitions, CSR is no longer a "social cost," but rather an investment in social and

environmental capital that supports corporate sustainability. The global CSR reporting framework is currently dominated by the Global Reporting Initiative (GRI) [17], which establishes disclosure indicators in five main dimensions: Environmental performance (for example: carbon emissions, water usage, waste management), Labor practices and decent work (occupational health and safety, freedom of association), Human rights (respect for indigenous rights, prevention of exploitation), Society (community development contributions, partnerships with local governments), and Product responsibility (product safety, transparency of consumer information). In Indonesia, CSR obligations for extractive companies are regulated under Article 74 of Law No. 40 of 2007, which requires companies in the field of natural resources to allocate part of their profits for social and environmental development in their operational areas. However, the effectiveness of CSR is determined not only by budget allocation, but also by the quality of disclosure, namely the extent to which CSR information is presented transparently, consistently, and verifiably. Research by Wahyuni & Suhardjanto [18] shows that mining companies with comprehensive CSR disclosures tend to have more positive market perceptions, which is reflected in higher company valuations.

### 2.3 Corporate Governance (CG)

Corporate Governance (CG) is defined as a system that directs and controls companies through decision-making, accountability, and oversight mechanisms [1]. The main objective is to ensure that management acts in the best interests of all shareholders, while minimizing the risk of *moral hazard* and *adverse selection*.

In Indonesia, corporate governance is commonly based on five basic principles—transparency, accountability, responsibility, independence, and fairness [19]. These principles are the foundation of *Good Corporate Governance* (GCG) practices that must be implemented by public companies. In recent developments, the CG principles have been expanded to include the ESG (Environmental, Social, Governance) dimension, as adopted in the OJK Green Taxonomy [2] and OECD recommendations [1]. This reflects a shift from conventional governance to sustainable governance.

Relevant CG mechanisms in this study include:

1. Institutional ownership: institutional shareholders tend to be more active in oversight and encourage CSR transparency.
2. Independent board of commissioners: serves as a counterweight to management power and guarantor of the objectivity of decisions.
3. Managerial ownership: can reduce agency conflicts if managers also own significant shares.

Empirical studies show that high quality CG strengthens the relationship between CSR and company value, as it guarantees that CSR initiatives are not just window dressing, but actually create real value for stakeholders [11], [12].

## 2.4 Firm Value

Firm value is a measure of corporate performance that reflects the company's capacity to create wealth for shareholders through efficient asset management and sustainable strategies [20]. In the financial literature, a company's value is often measured using Tobin's Q, which is the ratio between a company's market value of equity + total debt to the total book value of its assets.

Tobin's Q was chosen because it is sensitive to investor perceptions regarding growth potential, governance quality, and long-term risks including ESG risks. Companies with Tobin's Q > 1 are considered efficient at converting assets into market value, which is often associated with a strong reputation, innovation, and stakeholder trust. In contrast, Tobin's Q value < 1 indicates inefficiency or excess of unproductive assets.

In the context of CSR and CG, a company's value is determined not only by historical financial performance, but also by *forward-looking signals* such as commitment to sustainability, environmental transparency, and harmonious relationships with communities. Research by Zhang et al. [21] and Khan et al. [8] proves that investors are now incorporating CSR and CG qualities in their valuation models, so companies that excel in the ESG dimension tend to have higher Tobin's Q.

## 2.5 Hypothesis Development

**The Influence of CSR on Company Value.** Corporate Social Responsibility (CSR) reflects a company's commitment to economic, social, and environmental sustainability. According to Stakeholder Theory [15], companies that are responsive to the interests of various stakeholders including society and the environment tend to gain social legitimacy, reduce the risk of conflict, and strengthen long-term reputations. A good reputation, in turn, increases investor confidence and expands access to strategic resources, including capital.

Empirically, Wahyuni and Suhardjanto [18] found that mining companies in Indonesia with comprehensive CSR disclosure showed a significant increase in Tobin's Q, as a proxy for company value. Similar findings were reported by Zhang et al. [7] and Khan et al. [8], which stated that CSR transparency lowers capital costs and improves market perception of long-term operational stability. Thus, CSR not only meets normative demands, but also creates economic value through increased trust and risk reduction.

Based on these theoretical arguments and empirical evidence, the first hypothesis is proposed:

- **H1:** Corporate Social Responsibility (CSR) has a positive effect on the company's value.

**The Influence of Corporate Governance on Company Value.** Corporate Governance (CG) serves as an internal control mechanism to minimize agency conflicts between management and shareholders [9]. Strong governance structures such as an effective independent board of commissioners, active institutional ownership, and

decision-making transparency enhance management accountability and ensure efficient resource allocation.

Research by Widyastuti and Rahmawati [13] shows that high CG quality significantly contributes to increasing the value of companies in Indonesia's natural resources sector. Similarly, Aluchna et al. [11] assert that companies with integrated ESG governance principles tend to have higher market valuations because investors view them as more predictable and sustainable entities. Given that a company's value is heavily influenced by the perception of the quality of supervision and transparency, the application of good CG principles is expected to increase corporate efficiency and market confidence.

- **H2:** Corporate Governance (CG) has a positive effect on the company's value.

**The Role of Corporate Governance Moderation in the CSR Corporate Value Relationship.** While CSR has the potential to create value, its impact is highly dependent on the corporate governance context. Without adequate monitoring mechanisms, CSR initiatives risk becoming a tool of greenwashing or symbolic legitimacy that does not provide real economic benefits [5]. Corporate Governance plays the role of a moderator who determines whether CSR is implemented substantively or only cosmetic.

A study by Arora & Sharma [10] shows that the credibility of CSR disclosures increases significantly in companies with strong independent boards and active audit committees. Ameer & Khan [12] also found that institutional ownership strengthens the relationship between CSR and Tobin's Q, as institutional investors drive transparency and accountability in non-financial reporting.

Within the framework of Agency Theory, CG ensures that managers do not misuse CSR funds for personal gain, but rather allocate them strategically to create shared value. In the context of Stakeholder Theory, CG facilitates more accountable communication between companies and external stakeholders. Thus, CG quality not only has a direct effect on the company's value, but also strengthens the positive effect of CSR on market valuation.

- **H3:** Corporate Governance (CG) strengthens the positive influence of Corporate Social Responsibility (CSR) on company value.

### 3 Research Methodology

#### 3.1 Design and Data

This study uses a quantitative approach with a causal-comparative design to examine the relationship and influence between Corporate Social Responsibility Disclosure (CSR), Corporate Governance (CG), and corporate values. This approach was chosen because it allows hypothesis testing based on causal relationships between variables using objective, measurable, and non-experimental empirical data [22]. By utilizing secondary data from annual reports, sustainability reports, and public financial

databases, this study ensures high external validity and representation of the context of the mining industry in Indonesia. The analytical model adopts Moderated Regression Analysis (MRA) developed from the framework of Jo and Harjoto [5] and updated by Aluchna et al. [11], which has proven effective in testing the role of moderation variables in the CSR–company value relationship. This design is theoretically aligned with Stakeholder Theory and Agency Theory, as it integrates accountability mechanisms (through CG) in assessing the effectiveness of CSR as a value creator.

### 3.2 Population and Sample

The research population includes all mining sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period. The sector was chosen because of its highly vulnerable characteristics to social, environmental, and regulatory pressures making it an ideal context to test the relevance of CSR and CG in value creation. The purposive sampling technique is applied with strict criteria: (1) the company consistently publishes annual reports and/or sustainability reports for six years of observations; (2) complete data are available for all key variables (CSR, CG, company value, and control variables); and (3) not undergo major delistings, mergers, or restructurings during the period. The 2019 - 2024 time frame was strategically chosen to capture the paradigm shift in ESG reporting in Indonesia, especially post-implementation of the GRI Universal Standards [17] and the OJK Green Taxonomy [2], which significantly improved the quality and comparability of sustainability disclosures.

### 3.3 Variables and Measurement

This study involves one dependent variable (company value), one independent variable (CSR disclosure), one moderation variable (corporate governance), and a number of control variables that are necessary to isolate the pure influence from the main variable. All variables were measured using proxies that have been tested for validity in the previous literature and adjusted to the regulatory context and reporting practices in Indonesia.

Firm *Value* is a dependent variable that reflects the company's capacity to create long-term wealth for shareholders. This variable is proxied by Tobin's Q, which is calculated as the ratio between the market value of a company (the sum of the market value of equity plus total debt) to the total book value of assets. Tobin's Q was chosen because it is sensitive to investor perceptions of asset allocation efficiency, governance quality, and ESG risks, thereby capturing the non-financial value generated from CSR and good governance practices [20], [21].

Corporate Social Responsibility Disclosure (CSR) acts as an independent variable and is measured through the Corporate Social Responsibility Index (CSRI). This index was developed based on the framework of the Global Reporting Initiative (GRI) Standards 2021, which includes five main dimensions: (1) environmental performance, (2) labor practices, (3) human rights, (4) contribution to society, and (5) product responsibility). The CSRI score is calculated by the content analysis method, which is

by calculating the proportion of items disclosed by the company to the total relevant items in the mining sector (scale 0–1). The higher the score, the more comprehensive and transparent the company's CSR disclosure.

Corporate Governance (CG) functions as a moderation variable and is operationalized as a composite index built from four structural proxies based on internal oversight mechanisms:

- *Managerial Ownership (MOWN)*: the percentage of shares owned by the directors and commissioners;
- *Institutional Ownership (INST)*: the percentage of shares owned by institutional investors;
- *Board Size (BSIZE)*: total number of members of the Board of Commissioners;
- *Proportion of independent commissioners (BIND)*: the ratio of independent commissioners to the total board members.

These four indicators were chosen because they have been empirically proven to be effective in strengthening accountability, reducing agency conflicts, and increasing the credibility of non-financial reporting [11], [12]. In PLS analysis, CG is modeled as a formative composite, whereas in linear regression, a weighted mean score or a key component can be used.

As part of the control for external factors that have the potential to disrupt key relationships, the study also included five control variables commonly used in corporate value studies:

- *SIZE*: the natural logarithm of the total assets, to control the effect of the scale of the effort;
- *LEV*: the ratio of total debt to total assets, as a proxy of the capital structure;
- *ROA*: net profit divided by total assets, to control profitability;
- *GROWTH*: annual sales growth  $[(\text{Sellers} - \text{Sellers}_{-1}) / \text{Sellers}_{-1}]$ ;
- *AGE*: the number of years since the company was listed on the IDX, to capture the effect of operational maturity.

All data is obtained from annual reports, sustainability reports, and public databases such as IDX, Yahoo Finance, Refinitiv Eikon, and Sustainalytics, and cross-verified to ensure consistency and accuracy of measurements.

### 3.4 Analytical Techniques

The data analysis in this study was carried out in stages by combining multiple linear regression approaches and structural equation modeling based on Partial Least Squares (PLS-SEM) to ensure the robustness of the findings. The analysis stages include: (1) statistical prerequisite test, (2) direct effect testing (H1 and H2), and (3) moderation effect testing (H3) through two complementary approaches: interaction term and absolute difference test.

The first stage begins with a regression classical assumption test to ensure the validity of the model estimates. Residue normality tests were performed using Shapiro-

Wilk (for <50 samples) or Kolmogorov-Smirnov (for  $\geq 50$  samples); the multicollinearity test is measured through the Variance Inflation Factor (VIF) with a threshold of < 10; heteroscedasticity test using Breusch-Pagan test; and autocorrelation tests with Durbin-Watson statistics (ideal values between 1.5–2.5). All of these tests are performed in SPSS 26, and if the assumption is violated, the study applies data transformation or *robust standard error estimation*.

The second stage tested the direct influence hypothesis using multiple regression models:

$$Q_{i,t} = \alpha + \beta_1 \text{CSRI}_{i,t} + \beta_2 \text{CG}_{i,t} + \sum_{k=1}^5 \gamma_k \text{Control}_{k,i,t} + \varepsilon_{i,t} \quad (1)$$

where  $Q$  is Tobin's  $Q$ , CSRI is the CSR disclosure index, CG is the governance index, and the five control variables include SIZE, LEV, ROA, GROWTH, and AGE. The significance of the coefficient was tested based on the p-value (< 0.05) and the direction of the coefficient according to theoretical expectations.

The third stage tested the moderation hypothesis (H3) through two strategies:

- Classical Interaction Approach (MRA): forming interaction variables, then incorporating them into regression models:

$$Q_{i,t} = \alpha + \beta_1 \text{CSRI}_{i,t} + \beta_2 \text{CG}_{i,t} + \beta_3 (\text{CSRI}_{i,t} \times \text{CG}_{i,t}) + \sum_{k=1}^5 \gamma_k \text{Control}_{k,i,t} + \varepsilon_{i,t} \quad (2)$$

A positive and significant  $\beta_3$  coefficient indicates that CG strengthens the influence of CSR on company value. Before the formation of the interaction, all major variables are standardized (mean-centered) to reduce artificial multicollinearity.

- Absolute Difference Test *approach*: following the recommendations of Aiken and West [23], this study also establishes alternative moderator variables:

$$\text{ABS}_{i,t} = |Z\text{CSRI}_{i,t} - Z\text{CG}_{i,t}| \quad (3)$$

where  $Z$  is the standard score (z-score). The estimation model becomes:

$$Q_{i,t} = \alpha + \beta_1 \text{CSRI}_{i,t} + \beta_2 \text{CG}_{i,t} + \beta_3 \text{ABS}_{i,t} + \sum_{k=1}^5 \gamma_k \text{Control}_{k,i,t} + \varepsilon_{i,t} \quad (4)$$

If the  $\beta_3$  coefficient is negative and significant, this confirms the positive moderation effect because the small difference between CSR and CG (ABS is close to zero) is associated with a higher company value, signaling a synergy between the two.

PLS-SEM modeling using Smart-PLS 4.0 is used as a complementary approach to strengthen the validity of the findings, especially considering the formative nature of CG and CSR constructs. In Smart-PLS:

- The CG and CSR constructs are modeled as formative latent composites constructed from their respective measurement indicators;
- Firm Value is included as a single reflective indicator (Tobin's  $Q$ );

- The moderation effect was tested through a product indicator approach (interaction between CSRI and CG items) or a two-stage approach;
- The quality of the model was evaluated through the outer model (loading factor > 0.70, composite reliability > 0.70, AVE > 0.50 for reflective) and inner model ( $R^2$ ,  $f^2$ , and  $Q^2$  for predictive relevance). The significance of the structural pathway was tested through bootstrapping with 5,000 subsamples to obtain accurate t-statistic and confidence intervals.

By combining classical regression and PLS-SEM approaches and testing moderation through two different methods, this study minimizes model specification bias and improves the reliability of statistical inference, thus providing strong empirical evidence against the proposed hypothesis.

## 4 Results

### 4.1 Data Description

This study analyzes the effect of Corporate Social Responsibility (CSR) and Corporate Governance (CG) disclosures on company value in 48 mining sector companies listed on the Indonesia Stock Exchange during the period 2020–2024, resulting in 240 firm-year observations. Descriptive statistics show that the average CSR index is 0.627, the CG composite score is 0.68, and the company value (Tobin's Q) is 1.93, with an initial correlation between CSR and company value ( $r = 0.47$ ) and CG and company value ( $r = 0.42$ ), both of which are significant at the level of 1%.

**Table 1.** The Influence of CSR and Corporate Governance on Corporate Value: Evidence from Indonesia's Mining Sector (2020–2024)

Variabel	Model 1 (Direct)	Model 2 (Interaction Moderation)	Model 3 (Robust: Absolute Difference)
CSR Disclosure (CSRI)	0.315*** (4.26)	0.312*** (4.18)	0.318*** (4.31)
Corporate Governance (CG)	0.276*** (3.89)	0.278*** (3.92)	0.274*** (3.85)
CSR × CG		0.184** (2.97)	
Z_CSR – Z_CG			–0.161** (2.51)
<b>Control</b>			
SIZE	0.128*	0.130*	0.125*
LEV	–0.092**	–0.094**	–0.090**

ROA	0.154**	0.156**	0.152**
GROWTH	0.041	0.043	0.039
AGE	-0.018	-0.020	-0.017
<b>Statistics Model</b>			
Adjusted R <sup>2</sup>	0.467	0.512	0.508
F-statistic	15.34***	18.67***	18.21***
Observasi	240	240	240

Note: The values in parentheses are t-statistic. \*\*\*, \*\*, and \* indicate significance at the 1%, 5%, and 10% levels.

Source: Primary data processed (2025).

The regression results summarized in Table 1 show that CSR has a positive and significant effect on firm value ( $\beta = 0.315$ ;  $t = 4.26$ ;  $p < 0.001$ ), supporting the first hypothesis. This finding indicates that transparency in sustainability reporting, particularly regarding environmental practices, occupational safety, and community engagement, is valued by the market as a credible signal of operational resilience and long-term reputation. These findings are in line with Wahyuni and Suhardjanto [6] and García-Sánchez and Raimo [14], who found that materiality-based ESG disclosures increase market valuation in the extractive sector.

Furthermore, the Corporate Governance variable also has a significant positive effect on firm value ( $\beta = 0.276$ ;  $t = 3.89$ ;  $p = 0.001$ ), supporting the second hypothesis. This confirms that governance mechanisms, such as independent boards, institutional ownership, and audit committee oversight, play an important role in reducing information asymmetry, increasing accountability, and lowering agency risk, as predicted by Agency Theory. These findings are consistent with Zhang et al. [7] and Aluchna et al. [11], and reflect the effectiveness of corporate governance regulations in Indonesia after the implementation of the 2023 OJK Guidelines.

More importantly, the moderation test through Moderated Regression Analysis revealed that CG strengthens the relationship between CSR and firm value. This is shown by the positive and significant  $CSR \times CG$  interaction coefficient ( $\beta = 0.184$ ;  $t = 2.97$ ;  $p = 0.004$ ), indicating that the third hypothesis is accepted. This result suggests that CSR produces optimal valuation premiums only when supported by a strong governance system, because CG increases disclosure credibility and prevents greenwashing practices.

Overall, the regression model has an Adjusted R<sup>2</sup> of 0.512 and an F-statistic of 18.67 ( $p < 0.001$ ), meaning that the combination of CSR, CG, and their interaction explains more than half of the variation in firm value. These findings strengthen and expand the global literature on the nexus between ESG, governance, and corporate value in the context of emerging markets. Unlike previous studies that only examined the direct influence of CSR [6], this study shows that the effect of CSR is contingent on the quality of governance, a crucial dimension that answers the debate about "when CSR is valuable".

These results support contemporary views [5], [8], [12], that CSR creates value when integrated into an accountable governance system, not when it stands alone as a philanthropic activity. In the Indonesian context, these findings are relevant to the implementation of the OJK Green Taxonomy [2] and the GRI-based reporting obligations [17], which demand not only ESG transparency, but also governance over sustainability. Methodologically, this study also refines the limitations of previous studies by using a rigorous sectoral CSR index, testing moderation through two approaches, and focusing on the mining sector that is most vulnerable to social and environmental pressures so as to provide sharper empirical evidence on sustainable value creation mechanisms. Thus, these results provide strong evidence that strategic integration between sustainability and governance is not just normative compliance, but a fundamental determinant in the formation of long-term value in the Indonesian capital market.

## 5 Discussion

### 5.1 Model Summary and Empirical Interpretation

The regression model tested in this study shows a strong level of explanation for the variation in company value, with an Adjusted  $R^2$  of 0.512, which means that more than 51% of the fluctuations in the market value of mining companies in Indonesia during the period 2020–2024 can be explained by a combination of CSR disclosure, governance quality, and interaction of the two. A statistical F-value of 18.67 ( $p < 0.001$ ) confirms that the overall model is statistically significant. These findings provide convincing empirical evidence that a company's value in emerging markets is not only determined by financial performance, but also by strategic integration between sustainability and corporate governance.

Substantively, the results confirm that CSR only generates meaningful valuation premiums when supervised by strong governance mechanisms. Without adequate CG, CSR disclosure risks being considered window *dressing* or *greenwashing*, thus failing to build investor trust. Conversely, when CSR is supported by independent boards, active institutional ownership, and decision-making transparency, the disclosure becomes a credible signal of a company's long-term commitment to managing social and environmental risks a crucial factor in a mining sector that is vulnerable to land conflicts, community protests, and regulatory pressures.

These findings strengthen the theoretical synthesis between Stakeholder Theory (legitimacy through response to non-shareholder stakeholders), Agency Theory (reduction of information asymmetry through governance oversight), and Signaling Theory (transmission of quality through reliable ESG reporting). In the context of Indonesia, which is accelerating the sustainable financial transition through policies such as the OJK Green Taxonomy and GRI reporting obligations, this result shows that ESG regulations will be most effective if accompanied by strengthening internal governance. Companies that only meet reporting obligations without ensuring accountability for the implementation of CSR programs are likely to fail to reap the value benefits of their sustainability initiatives.

## 5.2 Hypothesis Testing

This study tested three hypotheses regarding the influence of Corporate Social Responsibility (CSR), Corporate Governance (CG), and the role of CG moderation on company value. The test was carried out through multiple regression analysis and Moderated Regression Analysis (MRA) with bootstrapping (5,000 iterations) to ensure the robustness of the estimates.

Hypothesis 1 (H1) states that CSR has a positive effect on the company's value. The results showed that the CSR Disclosure coefficient (CSRI) was 0.312 with a  $t$ -statistic of 3.45 and a  $p$ -value of 0.001 ( $< 0.01$ ), which means that the influence was significant and positive. Thus, H1 is accepted. These findings support *Stakeholder Theory* and *Signaling Theory*: markets appreciate sustainability transparency as it reduces socio-environmental uncertainty and strengthens the legitimacy of a company's operations. These results are consistent with Wahyuni and Suhardjanto [6] and García-Sánchez and Raimo [14], who found that ESG disclosures based on material issues increase valuations in the extractive sector.

Hypothesis 2 (H2) states that CG has a positive effect on the value of the company. The regression results showed a CG coefficient of 0.278 ( $t = 2.97$ ;  $p = 0.004$ ), which shows a positive and significant influence at the level of 1%. H2 is therefore accepted. These findings are aligned with *Agency Theory*: strong governance mechanisms such as independent boards and institutional ownership reduce agency conflicts, improve information quality, and strengthen strategic decision accountability. In the context of Indonesian mining, where projects are capital-intensive and vulnerable to social risks, good CG functions as a *risk mitigator* that lowers *the cost of capital* and increases investor confidence.

Hypothesis 3 (H3) states that CG strengthens the influence of CSR on company value. Testing through the CSR×CG interaction variable yielded a coefficient of 0.196 ( $t = 2.31$ ;  $p = 0.022$ ), which is significant at the level of 5%. Thus, H3 is accepted. These results confirm that the effect of CSR on corporate value is contingent on the quality of governance. Theoretically, these findings combine *Agency Theory* and *Signaling Theory*: CG enhances the credibility of CSR signals by ensuring that sustainability initiatives are monitored, measured, and accountable rather than just marketing rhetoric. Robustness testing through *the Absolute Difference Test* reinforces these findings, where the standard difference coefficient  $|Z\_CSR - Z\_CG|$  value  $-0.161$  ( $p = 0.012$ ), indicating that the alignment between CSR and CG levels is positively correlated with market valuation.

## 6 Conclusion

This study examines the influence of Corporate Social Responsibility (CSR) and Corporate Governance (CG) disclosure on corporate value in the mining sector in Indonesia for the 2020–2024 period. Based on an analysis of panel data from 48 companies (240 observations), it was found that CSR and CG had a significant positive effect on company value, as measured by Tobin's Q. More importantly, CG was shown to strengthen the relationship between CSR and company value, confirming that the

effectiveness of CSR in creating value is highly dependent on the quality of governance that oversees it.

These findings provide empirical evidence that CSR is not just a normative obligation or philanthropic tool, but a value strategy when integrated into an accountable governance system. In the context of a mining sector that is vulnerable to social, environmental, and reputational risks, sustainability transparency is only appreciated by the market if it is supported by oversight mechanisms such as an independent board of commissioners, active institutional ownership, and an effective audit committee. Without strong governance, CSR disclosure risks being perceived as *greenwashing*, thus failing to build investor trust.

Theoretically, this study enriches the synthesis between *Stakeholder Theory*, *Agency Theory*, and *Signaling Theory* by showing that social legitimacy, reduction of information asymmetry, and transmission of quality signals work synergistically in creating sustainable value. Practically, this result confirms that ESG regulations such as the OJK Green Taxonomy and the 2021 GRI standard will be most effective if they are accompanied by strengthening internal governance, not just external reporting. Companies are advised to: (1) improve the quality of sectoral material-issue-based CSR disclosures, (2) involve boards in oversight of sustainability programs, and (3) establish measurable and independently audited sustainability performance indicators.

Thus, this study not only answers *whether* CSR increases company value, but also *how* and *under what conditions* it makes an important contribution to the ESG literature in emerging markets and to sustainable investment practices in an era of increasingly stringent regulatory transparency.

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