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## Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) as Sustainable Governance Strategies: An Empirical Study of the Company Value within the Metal and Mineral Sub-Sector in 2018-2024

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### ABSTRACT

**Objective:** This research aims to analyze the influence of Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) on company value in the metals and minerals sub-sector in Indonesia. This sector also presents a high level of social and environmental risk.

**Design/Methodology/Approach** - The population of this research is the companies which operate in the metals and minerals sub-sector listed on the Indonesia Stock Exchange (IDX) for the 2018 – 2024 period. The sample is selected using purposive sampling, comprising 5 companies and 35 observations. The analysis method applied in this research is multiple regression with SPSS Version 26.

**Findings** - The result shows that CSR has a negative and significant influence on firm value, while GCG has a positive and significant influence on firm value. Simultaneously, CSR and GCG significantly influence firm value, although there are other influential variables outside the model.

**Research Limitations/Implications** - This research avoid the generalization of the results by limiting the sample solely to companies within metals and minerals sub-sector. Furthermore, CSR is measured using a quantitative index that does not capture program quality, and GCG is only proxied by board size.

**Originality/Value** – This research contributes by putting CSR and GCG in the context of high-risk extractive industries and presenting empirical evidence from Indonesia over a seven-year period. This research improves the understanding of stakeholder and agency theory by discovering that CSR in resource industries is often perceived negatively by investors as a cost liability, while GCG is proven to be a crucial factor in maintaining sustainable investor confidence and firm value.

**Keywords:** *CSR, GCG, company value, sustainable governance*

### INTRODUCTION

Over the past few years, global business conditions have undergone a significant shift in perspective and paradigm. A company's success is no longer measured solely by its financial performance, but also by various non-financial performance measures. One crucial form of non-financial performance today is its

contribution to social and environmental sustainability. Corporate practices related to environmental, social, and governance, known as ESG, are increasingly gaining attention from investors, regulators, and the public, making them an indicator in assessing a company's sustainability.

In this context, Corporate Social Responsibility (CSR) and Good Corporate Governance are considered as strategic indicators for building company's legitimacy and enhancing its value. CSR demonstrates social and environmental responsibility in a company's operations, while GCG ensures transparent, accountable, and supervised governance by shareholders and stakeholders.

Various previous studies related to the influence of CSR and GCG towards firm value have displayed mixed results. Several studies, such as those by (Musfiyana & Inayah, 2022), and (Wardoyo & Veronica, 2013), indicate a positive influence of CSR and GCG towards firm value. Meanwhile, other studies, such as (Parwata & Anggara, 2023), (Muhlis & Gultom, 2021), and (Yulianti et al., 2024), show an insignificant or negative influence.

This inconsistency indicates a gap in the researches, particularly in high-risk industrial sectors with social and environmental intricacy. The metals and minerals sub-sector is particularly relevant for researches that focusing in this issue because it deals with significant pressure related to environmental damage, violations of local community rights, and weak governance practices. The corruption case at PT Timah Tbk and the ecological damage in the Bangka Belitung region demonstrate the importance of implementing CSR and GCG in a company's practices. This is not merely a normative obligation but also a sustainability strategy that will impact a company's reputation and value. In this industry, CSR is often considered a liability instead of a mandatory compliance cost for a company's value creation strategies, while GCG has been proven to play a role in maintaining trust and corporate value. From a practical perspective, the results of this research are beneficial for investors, regulators, and company management in evaluating the effectiveness of non-financial data as market signals. Therefore, this research intends to analyze the influence of CSR and GCG towards value of the companies within the metals and minerals sub-sector, which are listed on the Indonesia Stock Exchange from 2018 to 2024.

Freeman's Stakeholder Theory (1984) emphasizes that companies are responsible not only to shareholders but also to all parties affected by their activities, including employees, suppliers, consumers, the community, and the government. Neglecting stakeholder interests can pose a risk to a company's reputation and expose it to social pressure (Zain et al., 2021). Therefore, Corporate Social Responsibility (CSR) practices are viewed as a company's means of being socially responsible as well its strategy to maintain legitimacy. (Juniartha & Dewi, 2019).

Agency theory (Jensen, M. C., & Meckling, 1976) explains the conflict of interest between principals (shareholders) and agents (management) due to information discrepancy. This conflict has the potential to generate agency problems, so governance mechanisms are necessary to assure the both parties are aligned in their interests (Dwi Urip Wardoyo et al., 2021). Good Corporate Governance (GCG) acts as a control instrument through transparency, accountability, and oversight. One of the proxies that are commonly used is board size, as the larger the board, the stronger the company's capacity to perform its functions of strategic oversight and risk mitigation (Desy Fitriani & Wahyu Hapsari, 2015).

Company value reflects market perception of a company's prospects and performance. A widely used indicator is Price to Book Value (PBV), which is the ratio between the stock market price of a company and its book value (Himawan & Andayani, 2020). PBV is considered more stable than other indicators and remains relevant when company profits are negative. A PBV value above 1 indicates that the market values the company higher than its book value, reflecting investors' confidence in the company's prospects.

Stakeholder theory states that companies are not only responsible to shareholders, but also to all stakeholders (Freeman, 2004). In this context, Corporate Social Responsibility (CSR) practices are viewed as means for a company to be socially responsible, which can increase its legitimacy in the eyes of the public and investors. The assumption is that the better a company's CSR disclosure, the better its reputation, which ultimately influences the company's value.

Agency theory (Jensen, M.C., & Meckling, 1976) emphasizes the importance of mechanisms for Good Corporate Governance (GCG) to mitigate conflicts between principals (shareholders) and agents (management). One crucial element of GCG is the structure of the board of directors, which functions as a decision-maker and overseer of corporate strategy. The number of board members is used as a proxy for GCG because the greater the number of board members, the more effective decision-making and management oversight become.

## **METHOD, DATA, AND ANALYSIS**

This research employs a quantitative associative research design to analyze the influence of Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) towards company value. The focus of the research is companies involved in the metals and minerals sub-sector, which are listed on the Indonesia Stock Exchange (IDX) in 2018–2024, given that this sub-sector plays a strategic role in the extractive industry and is currently encountering complex issues of sustainability and governance.

The research population included 12 metal and mineral sub-sector companies on the Indonesia Stock Exchange (IDX). The sample is determined using a purposive sampling technique based on the following criteria: (i) consistently listed on the IDX throughout the research period, (ii) publishing annual reports and sustainability reports with CSR disclosures consistent with GRI standards, (iii) including governance information (board structure, audit committee, etc.), (iv) having complete data for the research variables, and (v) not being suspended or delisted. Based on these criteria, 5 companies are selected as the final sample (5 companies  $\times$  7 years), namely PT Aneka Tambang Tbk (ANTM), PT Bumi Resources Minerals Tbk (BRMS), PT Vale Indonesia Tbk (INCO), PT Merdeka Copper Gold Tbk (MDKA), and PT Timah Tbk (TINS). with a total of 35 annual observations.

The data used are secondary data obtained from annual reports and sustainability reports published via the official websites of IDX and the companies. The operational definitions of the variables are established as follows: CSR is measured by the CSR Disclosure Index, which is the ratio of the number of disclosed items to the total GRI indicators. GCG is measured using the proxy of board size, namely the number of board members in the annual report. Company value is measured using the proxy of Price to Book Value (PBV), namely the ratio of the stock market price to the book value per share. Data analysis uses the multiple linear regression method with the assistance of SPSS Version 26 software.

## **RESULT AND DISCUSSION**

Descriptive analysis displays that CSR has a minimum value of 0.19 and a maximum value of 0.95, with Mean of 0.6068 and Standard Deviation of 0.24196. GCG is with the proxy of the size of the board of directors has a minimum value of 4 and a maximum value of 8, with Mean of 6.0857 and a Standard Deviation of 1.26889. Meanwhile, the company's value (PBV) has a minimum value of 0.41, and a maximum value of 8 with Mean of 1.9336 and Standard Deviation of 1.62401. This indicates a fairly substantial variation among the companies in the metal and mineral sub-sector during the observation period.

**Table 1.1. Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
CSR	35	.19	.95	.6068	.24196
GCG	35	4.00	8.00	6.0857	1.26889
MARKET VALUE	35	.41	8.00	1.9336	1.62401
Valid N (listwise)	35				

*Source : Processed Data 2025*

**Table 1.2. Classic Assumption Test**

Test Type	Criteria	Test Results	Conclusion
Normality	Sig. Kolmogorov-Smirnov > 0,05	0.086	Data is normally distributed
Multicollinearity	VIF < 10, Tolerance > 0,10	0.946 (> 0,10) dan VIF sebesar 1,057 (< 10).	Multicollinearity does not occur
Heteroscedasticity	Sig. uji Glejser > 0,05	0,206 – 0.446	Heteroscedasticity does not occur
Auto-correlation	Durbin-Watson = 2	1,609	Auto-correlation does not occur

*Source : Processed Data 2025*

The results of the classic assumption test indicate that the regression model meets the BLUE (Best Linear Unbiased Estimator) requirements. The data are normally distributed (Sig. Kolmogorov-Smirnov = 0.200 > 0.05), there is no multicollinearity (VIF < 10), no heteroscedasticity (Sig. > 0.05), and no autocorrelation (Durbin-Watson = 1.609 approaching 2). Therefore, this model is suitable to be applied in multiple regression analysis.

**Table 1.3. Multiple Regression Analysis**

Independent Variables	Coefficient (B)	Std. Error	Beta	t-count	Sig.
Constant	-0,173	1,416	---	-0,122	0,903
CSR	-2,134	0,979	-0,318	-2,181	0,037*
GCG	0,559	0,187	0,437	2,995	0,005**

X1 Corporate Social Responsibility (CSR)

X2 Good Corporate Governance (GCG)

Y Company Value (Market Value)

\*p < 0,05; \*\*p < 0,01

*Source : Processed Data 2025*

**Table 1.4. Coefficient of Determination Test**

Statistical Model	Value
R <sup>2</sup>	0.320
Adjusted R <sup>2</sup>	0.275
F-count	7.12
Sig.F	0.002

*Source : Processed Data 2025*

The result of the multiple regression analysis in Table 1 indicates that the applied model has met the eligibility criteria. The calculated F-value = 7.12 with Sig. F = 0.002 (<0.05) confirms that, the CSR and GCG variables simultaneously have a significant influence towards the dependent variable. The Adjusted R<sup>2</sup> value of 0.275 indicates that the model is able to explain 27.5% of the variation in the dependent variable, while the remaining 72.5% is explained by other factors outside the model.

Partially, the CSR variable has a negative coefficient of -2.134 ( $\beta = -0.318$ ) with a t value of -2.181 and Sig. = 0.037 (<0.05). This result indicates a tendency that the higher the value of CSR disclosure, the lower the value of the dependent variables in the context of this research. This finding indicates a possible contradiction in CSR, where social responsibility activities have not been fully appreciated by the market or are perceived as additional costs that burden the company, as has also been revealed in several previous studies.

Meanwhile, the GCG variable shows a positive and significant influence with a coefficient of 0.559 ( $\beta = 0.437$ ), t-value = 2.995, and Sig. = 0.005 (<0.01). This means that the better the corporate governance practices (e.g., through the size of the board of directors), the higher the value of the dependent variables. This result is consistent with Agency Theory, which emphasizes the importance of governance mechanisms to reduce conflicts of interest and increase stakeholder trust.

Therefore, it can be concluded that in this model, CSR has a negative and significant influence, while GCG has a positive and significant influence towards the dependent variables. This confirms that corporate governance plays a crucial role in improving performance or estimated value, while CSR disclosure is required to be handled more strategically so that it is not perceived merely as a liability, but rather as a long-term investment.

### **The Influence of CSR towards Company Value**

The result of this research indicates that CSR has a negative and significant influence towards company value, with a regression coefficient of -2.134, a calculated t-value of -2.181, and a significance level of  $0.037 < 0.05$ . This indicates that higher CSR disclosure actually decreases the value of companies in the metals and minerals sub-sector.

The result of this research is in accordance with those of (Situmorang & Setyawan, 2024) and (Tirtagiri & Sufina, 2024), which also found that CSR has negative and significant influence towards company value. Investors tend to view CSR spending as a cost liability that reduces profits. However, it contradicts the findings of (Anggraini, 2021), which shows that CSR has positive and significant influence towards company value.

In the context of the metals and minerals sub-sector, this negative influence can be explained by the companies' activities which closely associated with environmental issues such as pollution and environmental damage. CSR programs in this sub-sector are often implemented as a means of fulfilling regulatory obligations or compensating for environmental impacts, rather than as a deliberate strategy to enhance company's image. As a result, investors perceive CSR more as a cost than as value creation, thus lowering the company's perceived value.

### **The Influence of GCG towards Company Value**

The result of the research indicates that GCG has a positive and significant influence towards company value, with a regression coefficient of 0.559, a t-test of 2.995, and a significance level of  $0.005 (< 0.05)$ . This indicates that the better the implementation of GCG, the higher the value of the companies in the metals and minerals sub-sector.

Theoretically, this finding aligns with Agency Theory, which states that the implementation of good governance reduces conflicts of interest between management (agent) and shareholders (principals). GCG mechanisms, such as transparency, accountability, and oversight by the board of commissioners, help increase investor confidence, thus positively and significantly influencing the company value.

The result of this research supports the findings of (Tiffani & Wahyudi, 2024) which stated that GCG significantly influences company value. However, this result differs from that of

(Musfiyana & Inayah, 2022), which found no significant influence. This difference may be due to differences in the operational circumstances of the industries studied: the metals and minerals sub-sector has higher governance risks (e.g., related to mining permits, land conflicts, and environmental issues), so investors value GCG effectiveness more than other industries that are more stable.

In the context of the metals and minerals sub-sector, GCG implementation is crucial because this industry frequently encounters transparency issues, monopolistic licensing practices, and socio-environmental conflicts. A Company with strong GCG practices projects a positive signal to investors regarding legal certainty, regulatory compliance, and business sustainability. Therefore, it is understandable that GCG has been shown to increase company value in this sub-sector.

## **CONCLUSION**

This research aims to analyze the influence of Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) towards company value. The result of multiple regression analysis indicates that CSR has a negative and significant influence, indicating that CSR disclosure has not been fully appreciated by the market or is still perceived as a cost liability. Conversely, GCG has a positive and significant effect, confirming that good governance can increase stakeholder trust and increase company value. Simultaneously, CSR and GCG are proven to influence value/performance, with a model explanation contribution of 27.5% (Adjusted R<sup>2</sup>), so there are other variables that need to be considered in subsequent research. It is expected that future researches can add other variables such as profitability, leverage, company size or institutional ownership to make the model more comprehensive. In addition, future researches can also expand the research object, cover a longer period of time, and use other proxies to test the consistency of the result.

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