International Journal of Current Science Research and Review
ISSN: 2581-8341
Volume 09 Issue 08 August 2026
DOI: 10.47191/ijcsrr/V9-i8-25, Impact Factor: 8.048
IJCSRR @ 2026
www.ijcsrr.org

When Social Responsibility Meets Profitability: Determinants of Firm Value in Indonesian Mining Companies Listed on the Indonesia Stock Exchange

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ABSTRACT: This study examines the effect of Corporate Social Responsibility (CSR) disclosure and profitability ratios on firm value among mining sector companies listed on the Indonesia Stock Exchange (IDX). CSR disclosure was measured using an index based on the Global Reporting Initiative (GRI) Standards 2016, while profitability was proxied by four indicators: Return on Equity (ROE), Return on Asset (ROA), Gross Profit Margin (GPM), and Net Profit Margin (NPM). Firm value was measured using Price Book Value (PBV). The sample was selected through purposive sampling from a population of 46 mining companies listed on the IDX during 2020–2024, resulting in five companies that met all the criteria and a total of 25 observations. Data were analyzed using multiple linear regression with SPSS following classical assumption testing. The results show that CSR disclosure has a positive and significant effect on firm value. Among the four profitability indicators, only ROE has a significant positive effect on firm value, while ROA, GPM, and NPM have no significant effect. Simultaneously, CSR and profitability ratios significantly affect firm value, with a coefficient of determination of 80.2%. These findings are relevant amid the recent slowdown in Indonesia's mining sector and the ongoing transition of sustainability reporting regulation toward standards aligned with the International Sustainability Standards Board (ISSB).

KEYWORDS: agency theory, corporate social responsibility, firm value, mining industry, profitability ratio, Indonesia Stock Exchange

INTRODUCTION

Limited liability companies raise capital from shareholders in proportion to their respective ownership. For investors, information on earnings per share and book value per share serves as one of the primary references for assessing investment prospects, since both indicators reflect a company's ability to generate wealth for its shareholders (Subramanyam, 2016). At the same time, companies are expected not only to maximize profit but also to attend to their social and environmental responsibilities as part of efforts to sustain their business and enhance firm value in the future.

Firm value reflects market perceptions of a company's performance and prospects, which is ultimately mirrored in its share price (Brigham & Houston, 2018). The mining sector was chosen as the object of this study because it is directly linked to natural resource exploitation and carries significant environmental impact, making Corporate Social Responsibility (CSR) disclosure crucial for a company's social legitimacy (Deegan, 2002). Indonesian mining and energy companies have increasingly engaged in CSR and philanthropic activities in recent years, although disclosure practices remain uneven across firms and reporting periods (Dharmawati et al., 2023). Data on the number of IDX-listed mining companies disclosing their social and environmental responsibilities during 2020–2024, whether through annual reports or sustainability reports, show a fluctuating pattern, indicating that not all mining issuers have consistently carried out such disclosures.

In regulatory terms, the obligation to implement CSR in Indonesia is set out in Article 74 of Law Number 40 of 2007 on Limited Liability Companies (Republic of Indonesia, 2007), which, together with its implementing regulation, requires companies to allocate approximately 2–4% of their annual profit to social responsibility funds. The obligation to report on sustainability was later reinforced through Financial Services Authority (OJK) Regulation Number 51/POJK.03/2017 (OJK, 2017) and OJK Circular Letter Number 16/SEOJK.04/2021, which governs the format of sustainability reports as part of issuers' annual reports (OJK, 2021). Sustainability report disclosure has, in turn, been associated with improved corporate financial performance in the Indonesian context (Bukhori & Sopian, 2017). Recent developments point to a regulatory direction that is increasingly convergent with international standards, marked by the issuance of the Sustainability Reporting Standards (SPK) by the Sustainability Standards Board of the Indonesian Institute of Accountants, which adopted IFRS S1 and S2 from the International Sustainability Standards

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Board (ISSB) in July 2025 and is scheduled to take effect on 1 January 2027 (IAI, 2025). This shift marks a new chapter in sustainability disclosure practices among Indonesian public companies, including those in the mining sector.

Beyond sustainability considerations, the macroeconomic condition of the mining sector also warrants attention. Having once contributed substantially to national Gross Domestic Product (GDP), the mining and quarrying sector's contribution has shown a declining trend, falling from 12.22% in 2022 to 10.5% in 2023 and 9.15% in 2024, and was even recorded as the only sector to contract in 2025, by –0.66%, owing to the normalization of global commodity prices (BPS, 2026). This condition adds further relevance to research on how CSR disclosure and profitability performance affect the value of mining companies, given that investors require indicators beyond commodity prices to assess firms' long-term prospects amid weakening sectoral performance.

Profitability represents a company's ability to generate profit from sales, assets, or its own capital, and is one of the key considerations investors use to assess financial performance (Subramanyam, 2016). This study employs four profitability ratios—Return on Equity (ROE), Return on Asset (ROA), Gross Profit Margin (GPM), and Net Profit Margin (NPM)—as these ratios capture different dimensions of a company's profit-generating capacity, whether from equity, assets, or sales.

Prior studies on the effect of CSR and profitability on firm value have produced inconsistent results, both in the Indonesian context and in other emerging markets. Some studies found that CSR has a significant positive effect on firm value (Kesumastuti & Dewi, 2021; Rohendi et al., 2024; Singhal et al., 2024; Islami et al., 2022), while others found no significant effect (Biju et al., 2025; Intihanah et al., 2023). A similar inconsistency is evident in the broader ESG-performance literature, as Biju et al. (2025) found that the direct relationship between ESG performance and firm performance in emerging-economy markets tends to be statistically insignificant, in contrast to findings from developed markets. A similar pattern emerges in the relationship between profitability and firm value, where some studies report a significant positive effect (Mufidah & Purnamasari, 2022; Saridewi et al., 2021; Dorothy & Endri, 2024; Muharramah & Zulman, 2021; Celine et al., 2023), while others find no significant effect (Christina et al., 2024). A recent bibliometric review (Mishra et al., 2025) further confirms that CSR and ESG research in relation to firm performance remains one of the fastest-growing themes in global accounting and finance scholarship over the past decade, yet empirical findings continue to vary by country context, industry, and study period. These inconsistencies form the basis for this study, which re-examines the effect of CSR and profitability ratios on firm value using four profitability indicators simultaneously in mining companies listed on the Indonesia Stock Exchange during 2020–2024.

Building on the foregoing, this study analyzes the partial effect of CSR, the partial effect of profitability ratios, and their simultaneous effect on firm value among mining companies listed on the Indonesia Stock Exchange. The remainder of this paper reviews the relevant theory and develops the hypotheses, describes the materials and methods, presents the results, discusses the findings, and concludes the paper.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Agency Theory

Agency theory explains the contractual relationship between a company's owners (the principal) and its management (the agent), whereby owners delegate authority over company management to managers with the expectation that managers will act in the owners' interest (Jensen & Meckling, 1976). Eisenhardt (1989) argued that the focus of agency theory lies in determining an efficient contract between principal and agent, underpinned by three basic assumptions: human nature, which tends toward self-interest and risk aversion; organizational assumptions, which acknowledge conflict and information asymmetry among organizational members; and information assumptions, which treat information as a tradable commodity. The potential for conflicts of interest and information asymmetry between managers and shareholders makes it particularly relevant to understand how CSR disclosure and profitability performance can influence the market's valuation of a firm.

Corporate Social Responsibility Disclosure

CSR is a concept of corporate responsibility for the impact of a company's operations on society and the environment, realized through policy and concrete action rather than mere administrative compliance (Hadi, 2018; Hambali & Huda, 2019). The underlying concept of CSR implementation draws on Elkington's (1997) triple bottom line idea, which encompasses three dimensions—profit, people, and planet—requiring companies to balance their profit orientation with concern for surrounding communities and environmental sustainability. The level of CSR disclosure in this study is measured against the Global Reporting Initiative (GRI) Standards 2016 (Global Sustainability Standards Board, 2016), which cover three disclosure dimensions: economic

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performance (GRI code 200), environmental performance (GRI code 300), and social performance (GRI code 400). The CSR Disclosure Index (CSRI) is calculated by comparing the number of items a company discloses against a total of 157 GRI Standards 2016 indicator items (Global Sustainability Standards Board, 2016), formulated as follows:

$$CSRI_j = \Sigma X_{ij} / n_j \qquad (1)$$

Where CSRIj is the CSR disclosure index of company j, Xij equals 1 if an item is disclosed and 0 if it is not, and nj is the total number of indicator items applicable to company j.

Profitability Ratios

Profitability reflects a company's ability to generate profit through sales, asset utilization, or the management of its own capital, and serves as a key indicator of management performance effectiveness (Kasmir, 2019). This study uses four profitability indicators: Return on Equity (ROE), which measures the ability of shareholders' equity to generate profit; Return on Asset (ROA), which measures the efficiency of asset use in generating net profit; Gross Profit Margin (GPM), which measures the ability of sales to generate gross profit; and Net Profit Margin (NPM), which measures the percentage of net profit relative to net sales.

Firm Value

Firm value reflects investors' perceptions of a company's success, as captured in its share price; the higher the share price, the higher the firm value perceived by the market (Brigham & Houston, 2018). This study measures firm value using Price Book Value (PBV), defined as the ratio of share price to book value per share. A PBV above one generally indicates that the market values the company more highly than its book value, reflecting investors' positive expectations of the company's future performance and prospects.

Building on the theoretical review above, Figure 1 presents the conceptual framework of this study, illustrating the relationship among CSR disclosure, profitability ratios, and firm value, grounded in agency theory.

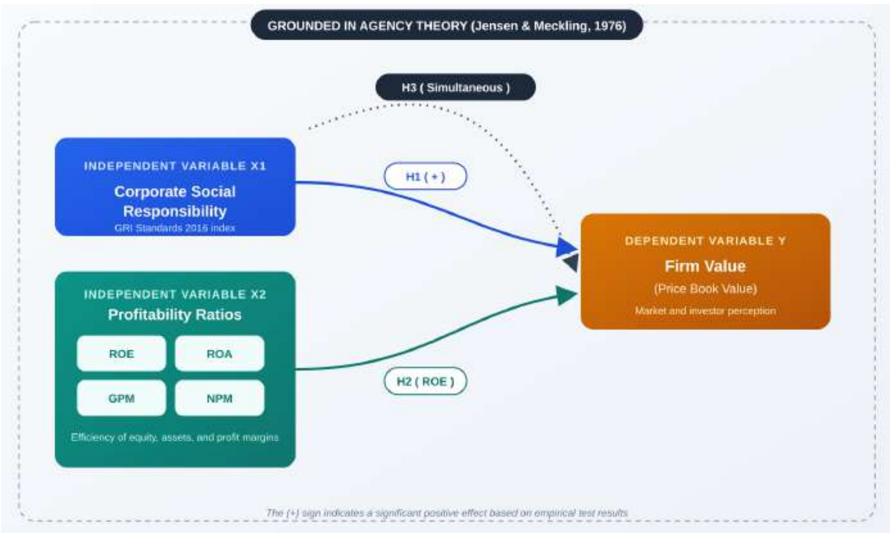

Figure 1. Conceptual framework of the study. Source: developed by the authors.

Hypotheses Development

Within the agency theory framework, transparent CSR disclosure can serve as a mechanism to reduce information asymmetry between managers and shareholders, while signaling managers' commitment to the company's long-term interests rather than short-term gains alone. Broad CSR disclosure has the potential to enhance stakeholder trust and loyalty, which in turn may foster a more favorable market assessment of the firm. Rohendi et al. (2024) found that CSR disclosure has a positive effect on firm value, a finding reinforced by Singhal et al. (2024), Oktadewi & Diantini (2025), and Susanto et al. (2024), who specifically demonstrate a positive role of ESG/CSR disclosure and governance quality in shaping firm value and environmental outcomes among Indonesian companies. Based on the foregoing, the first hypothesis is formulated as follows.

Hypothesis 1 (H1). *Corporate Social Responsibility has a partial effect on firm value.*

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High profitability indicates that a company is able to effectively manage its resources and capital to generate profit, which is typically met with a positive investor response in the form of a higher share price. Within the agency theory context, strong profitability performance can reduce shareholders' doubts about managers' ability to run the company. Mufidah & Purnamasari (2022) and Saridewi et al. (2021) showed that profitability affects firm value, consistent with the more recent findings of Dorothy & Endri (2024), who demonstrated the moderating role of profitability in strengthening the effect of sustainability disclosure on firm value within a capital-intensive sector. Based on the foregoing, the second hypothesis is formulated as follows.

Hypothesis 2 (H2). *Profitability ratios have a partial effect on firm value.*

The combination of sound CSR disclosure and strong profitability performance is expected to send a dual signal to the market: CSR demonstrates a long-term orientation and managerial accountability, while profitability reflects the efficiency of the company's operational management. Saputra (2021) found that CSR and profitability ratios have a simultaneous effect on firm value, a pattern also echoed by Singhal et al. (2024) and Ardini (2023), who showed that the interaction between governance-related disclosure and financial performance factors jointly shapes firm value. Based on the foregoing, the third hypothesis is formulated as follows.

Hypothesis 3 (H3). *Corporate Social Responsibility and profitability ratios have a simultaneous effect on firm value.*

RESEARCH METHODS

Research Design, Population, and Sample

This study employs a quantitative design with an associative approach to test the relationships among variables. The data used are secondary data drawn from the annual reports and sustainability reports of mining sector companies, obtained through the official website of the Indonesia Stock Exchange (www.idx.co.id) and the official websites of the respective companies.

The population of this study comprises all mining sector companies listed on the Indonesia Stock Exchange during 2020–2024, totaling 46 companies. The sample was selected using purposive sampling (Sugiyono, 2018) based on the following criteria: (1) mining companies listed on the IDX during 2020–2024; (2) companies that recorded profit consecutively throughout the research period; and (3) companies that consistently published sustainability reports during 2020–2024. Based on these criteria, five companies qualified as the sample, namely Elnusa Tbk (ELSA), Indo Tambangraya Megah Tbk (ITMG), Merdeka Copper Gold Tbk (MDKA), Aneka Tambang Tbk (ANTM), and Petrosea Tbk (PTRO), observed over five years, yielding 25 observations. The sample selection process is presented in Table 1.

Table 1. Sample selection process.

Criteria	Number of Companies
Mining companies listed on the IDX during 2020–2024	46
Companies reporting losses during the research period	(27)
Companies not consistently publishing sustainability reports during 2020–2024	(14)
Number of sample companies	5
Number of years observed	5
Number of observations (5 companies × 5 years)	25

Source: *processed data, 2025.*

Variable Measurement

The first independent variable, CSR disclosure, is measured using the CSRI index based on 157 GRI Standards 2016 indicator items, as shown in Equation (1). The second independent variable, profitability ratios, is proxied by four indicators, as shown in Equations (2)–(5):

$$ROE = \text{Profit after tax} / \text{Shareholders' equity} \quad (2)$$

$$ROA = \text{Profit after tax} / \text{Total assets} \quad (3)$$

$$GPM = \text{Gross profit} / \text{Net sales} \quad (4)$$

$$NPM = \text{Profit after tax} / \text{Net sales} \quad (5)$$

The dependent variable, firm value, is measured using Price Book Value (PBV), as shown in Equation (6), where book value per share is calculated as total equity divided by the number of shares outstanding.

$$PBV = Share\ price / Book\ value\ per\ share \quad (6)$$

Data Analysis Technique

Data were analyzed using descriptive statistics to characterize the research data, followed by classical assumption tests comprising the normality test (Kolmogorov–Smirnov), multicollinearity test (tolerance and VIF values), heteroscedasticity test (scatterplot graphical analysis), and autocorrelation test (Run Test) (Sugiyono, 2018). Once the regression model satisfied the classical assumptions, hypothesis testing was conducted using multiple linear regression analysis with SPSS, comprising the partial test (t-test), simultaneous test (F-test), and the coefficient of determination (R^2) at a 5% significance level. The regression model employed is formulated as follows:

$$PBV = \alpha + \beta 1CSR + \beta 2ROE + \beta 3ROA + \beta 4GPM + \beta 5NPM + \varepsilon \quad (7)$$

RESULTS

Descriptive Statistics

Table 2. Descriptive statistics of research variables.

Variable	N	Minimum	Maximum	Mean	Std. Dev.
CSR	25	0.15	0.43	0.3208	0.07005
ROE	25	0.00	1.40	0.1780	0.28692
ROA	25	0.00	2.86	0.2072	0.57304
GPM	25	0.07	4.72	0.4588	0.95736
NPM	25	0.00	1.97	0.1536	0.38546
PBV	25	0.10	114.33	8.4136	23.11588

Source: *SPSS output, secondary data processed, 2024.*

The descriptive statistics in Table 2 show that the CSR Disclosure Index (CSRI) during the research period ranged from 0.15 to 0.43, with a mean of 0.3208, indicating that the sample companies disclosed, on average, only about 32% of the total GRI Standards 2016 indicator items. The lowest CSRI value was recorded by Elnusa Tbk in 2024, while the highest was recorded by Petrosea Tbk in 2022. For the profitability variables, ROE ranged from 0.00 to 1.40 with a mean of 0.1780, ROA ranged from 0.00 to 2.86 with a mean of 0.2072, GPM ranged from 0.07 to 4.72 with a mean of 0.4588, and NPM ranged from 0.00 to 1.97 with a mean of 0.1536. The wide variation in these four ratios, particularly GPM and ROA, indicates substantial differences in profit-generating capacity among the sample companies, partly driven by fluctuations in mining commodity prices during the observation period. The firm value variable, measured by PBV, shows an exceptionally wide range, from 0.10 to 114.33 with a mean of 8.4136, indicating considerable disparity in market valuation among the sample mining companies.

Classical Assumption Test Results

Table 3. Summary of classical assumption test results.

Variable	Kolmogorov–Smirnov (Asymp. Sig.)	Tolerance	VIF	Run Test (Asymp. Sig.)
CSR	0.200	0.945	1.058	0.676
ROE	–	0.912	1.096	–
ROA	–	0.915	1.093	–
GPM	–	0.134	7.489	–
NPM	–	0.133	7.527	–

Source: *SPSS output, secondary data processed, 2024.*

The normality test using Kolmogorov–Smirnov produced an Asymp. Sig. (2-tailed) value of 0.200 (> 0.05), indicating that the regression model's residuals are normally distributed. The multicollinearity test in Table 3 shows that all independent variables have tolerance values ≥ 0.10 and VIF values ≤ 10, indicating that the regression model is free from multicollinearity. The heteroscedasticity test, conducted through scatterplot graphical analysis, shows that the residuals are randomly scattered without forming any discernible pattern, indicating the absence of heteroscedasticity. The autocorrelation test using the Run Test shows an Asymp. Sig. value above 0.05, indicating that the model is free from autocorrelation. As all classical assumption tests were satisfied, the multiple linear regression model used in this study is appropriate for hypothesis testing.

Regression Analysis and Hypothesis Testing Results

The multiple linear regression analysis produced the following equation:

$$PBV = -24.970 + 73.184CSR + 68.475ROE - 7.573ROA + 1.599GPM - 9.418NPM + \varepsilon \quad (8)$$

The constant value of –24.970 indicates that if all independent variables equal zero, firm value would stand at –24.970. The CSR regression coefficient of 73.184 is positive, meaning that each one-unit increase in the CSR disclosure index would raise firm value by 73.184 units, holding other variables constant. The ROE coefficient of 68.475 is also positive, while the ROA (–7.573) and NPM (–9.418) coefficients are negative, and the GPM coefficient (1.599) is positive but relatively small.

Table 4. Summary of t-test, F-test, and coefficient of determination.

Variable	t-Value	Sig. (t)	F-Value	Sig. (F)	R^2
CSR	2.112	0.048	15.379	0.000	0.802
ROE	7.949	0.000	–	–	–
ROA	–1.758	0.095	–	–	–
GPM	0.237	0.815	–	–	–
NPM	–0.561	0.582	–	–	–

Source: *SPSS output, secondary data processed, 2024.*

The t-test results in Table 4 show that the CSR variable has a t-value of 2.112 with a significance of 0.048 (< 0.05); thus, H1 is accepted: CSR has a significant partial effect on firm value. Among the profitability indicators, ROE has a t-value of 7.949 with a significance of 0.000 (< 0.05), indicating a significant positive effect on firm value. In contrast, ROA (t = –1.758; sig = 0.095), GPM (t = 0.237; sig = 0.815), and NPM (t = –0.561; sig = 0.582) show no significant effect on firm value (sig > 0.05). H2 is therefore only partially supported, namely through the ROE indicator.

The F-test results show an F-value of 15.379 with a significance of 0.000 (< 0.05); thus, H3 is accepted: CSR and profitability ratios jointly have a significant effect on firm value. The coefficient of determination (R^2) of 0.802 indicates that 80.2% of the variation in firm value can be explained by CSR and profitability ratios, while the remaining 19.8% is explained by other factors outside this research model.

DISCUSSION

Effect of CSR on Firm Value

The finding that CSR disclosure has a significant positive effect on firm value suggests that the more extensively mining companies disclose their social and environmental responsibilities, the higher the market's valuation of those companies. This is consistent with the agency theory framework, in which transparent CSR disclosure can reduce information asymmetry between managers and shareholders and strengthen investor confidence in management's long-term orientation. Empirically, Petrosea Tbk, which had the highest average CSR disclosure index (0.35) during 2020–2024, also recorded the highest average firm value (35.22) among the sampled companies, while Indo Tambangraya Megah Tbk, with the lowest average CSR disclosure (0.27), recorded the lowest average firm value (0.19). This finding is consistent with Rohendi et al. (2024), who likewise found a positive effect of CSR on firm value, and aligns with Oktadewi & Diantini (2025), who specifically found that ESG disclosure positively affects firm value in Indonesia's mining sector, as well as with Nguyen (2025), who, from a signaling theory perspective, showed that credible CSR disclosure tends to be more value-relevant within particular institutional and industry settings. In line with the direction of Indonesia's sustainability reporting regulation toward ISSB-aligned standards (IAI, 2025), this finding offers empirical grounds that enhancing the quality and transparency of sustainability disclosure has the potential to add value for mining companies, while also supporting their readiness to meet more stringent reporting obligations in the future.

Effect of Return on Equity on Firm Value

The significant effect of ROE on firm value indicates that improving the efficiency with which shareholders' equity is used to generate profit is met with a positive market response. This is reflected in the empirical data for Petrosea Tbk, which recorded the highest average ROE (0.39) during 2020–2024, in line with its also having the highest average firm value (35.22) among the sample. Within the agency theory framework, a high ROE signals that managers have successfully managed shareholders' capital efficiently, thereby reducing shareholders' doubts about management performance.

Effect of Return on Asset on Firm Value

The insignificant effect of ROA on firm value suggests that asset-use efficiency has not yet become a primary consideration for investors in valuing mining companies. This is understandable given that asset quality in the mining industry varies considerably depending on the quantity and quality of a company's mineral reserves, and is further influenced by commodity price fluctuations that are difficult to predict from financial statements alone. The empirical data show that Indo Tambangraya Megah Tbk recorded a relatively high average ROA (0.45) yet the lowest average firm value (0.19), while Merdeka Copper Gold Tbk recorded the lowest average ROA (0.04) yet a relatively high average firm value (4.14), suggesting that investors likely weigh other non-accounting factors, such as mineral reserve prospects and corporate expansion strategy. This result is also consistent with Biju et al. (2025), who found that in emerging-economy markets, the direct relationship between asset-based financial performance indicators and market valuation tends to be weaker and less consistent than in developed markets, owing to institutional risk factors and macroeconomic uncertainty that further shape investor perceptions.

Effect of Gross Profit Margin and Net Profit Margin on Firm Value

The insignificant effect of GPM and NPM on firm value suggests that sales-based profit margins are not yet a strong enough signal for investors when assessing the prospects of mining companies. This is consistent with the findings of Bangun et al. (2022), who showed that gross and net profit margins do not always have a significant effect on share price for mining issuers, as investors in capital-intensive sectors such as mining tend to weigh other strategic factors more heavily, such as commodity market conditions, production cost structure, and corporate governance, rather than relying solely on sales-based profit margins.

Simultaneous Effect of CSR and Profitability Ratios on Firm Value

The simultaneous test results show that the combination of CSR disclosure and profitability ratios jointly explains 80.2% of the variation in firm value, a relatively high proportion. This suggests that investors evaluate mining companies not from a single performance dimension but rather holistically, weighing both social responsibility and financial performance together. CSR signals a company's long-term orientation and social legitimacy, while profitability ratios reflect operational efficiency, so the combination of the two reinforces market confidence in a company's prospects. This finding is consistent with Saputra (2021), who found that CSR and profitability ratios have a simultaneous effect on firm value.

Based on these findings, mining companies are advised to enhance the transparency of their CSR disclosures through more accurate and publicly accessible reporting, while also preparing for more stringent sustainability reporting standards in line with Indonesia's adoption of ISSB-aligned standards. In addition, companies need to continue improving the efficiency of equity and operational management to strengthen investor confidence amid the broader slowdown in the mining sector's performance.

CONCLUSION

Based on the multiple linear regression analysis of 25 observations drawn from five mining companies listed on the Indonesia Stock Exchange during 2020–2024, this study concludes that Corporate Social Responsibility has a positive and significant effect on firm value. Among the four profitability indicators, only Return on Equity has a significant positive effect on firm value, while Return on Assets, Gross Profit Margin, and Net Profit Margin show no significant effect. Simultaneously, CSR and profitability ratios significantly affect firm value, with a coefficient of determination of 80.2%.

This study implies that social responsibility disclosure and equity management efficiency are two factors mining companies should attend to in order to enhance firm value in the eyes of investors, particularly amid the declining contribution of the mining sector to the national economy and the ongoing transition of sustainability reporting regulation toward ISSB-aligned standards.

This study has several limitations, including a relatively small sample size resulting from the strict purposive sampling criteria and a research period limited to 2020–2024. Future research is recommended to incorporate additional variables such as leverage, firm size, or ownership structure; to extend the scope of analysis to sectors other than mining for comparative purposes; and to consider alternative firm value proxies, such as Tobin's Q, to test the consistency of these findings.

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International Journal of Current Science Research and Review
ISSN: 2581-8341
Volume 09 Issue 08 August 2026
DOI: 10.47191/ijcsrr/V9-i8-25, Impact Factor: 8.048
IJCSRR @ 2026
www.ijcsrr.org

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Cite this Article: Dharmawati, T., Hasbudin (2026). When Social Responsibility Meets Profitability: Determinants of Firm Value in Indonesian Mining Companies Listed on the Indonesia Stock Exchange. International Journal of Current Science Research and Review, 9(8), pp. 4470-4478. DOI: https://doi.org/10.47191/ijcsrr/V9-i8-25