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The Relationship between Corporate Governance, Profitability, and Corporate Social Responsibility Disclosure on Firm Value in the Mining Sector

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Abstract. *The mining sector faces increasing pressure to demonstrate sustainable business practices and environmental responsibility. Corporate governance, profitability, and corporate social responsibility (CSR) disclosure have emerged as critical factors influencing firm value, particularly in environmentally sensitive industries. This study aims to examine the relationship between corporate governance, profitability, and corporate social responsibility disclosure on firm value in mining companies listed on the Indonesia Stock Exchange (IDX). This quantitative study employed panel data analysis using a sample of 38 mining companies listed on IDX during 2018-2022, resulting in 190 firm-year observations. Firm value was measured using Tobin's Q ratio, while independent variables included board independence, audit committee effectiveness, return on assets (ROA), and CSR disclosure index. Multiple regression analysis with random effects was used to test the hypotheses. The findings indicate that corporate governance has a significant positive effect on firm value, with board independence ($\beta = 0.247$, $p < 0.05$) and audit committee effectiveness ($\beta = 0.189$, $p < 0.05$) both enhancing firm value. Profitability shows a strong positive effect ($\beta = 0.412$, $p < 0.01$), while CSR disclosure demonstrates a significant positive relationship with firm value ($\beta = 0.234$, $p < 0.05$). The model explains 71.3% of the variance in firm value ($R^2 = 0.713$). Corporate governance mechanisms, profitability, and CSR disclosure significantly enhance firm value in the mining sector. Companies should focus on strengthening governance structures, maintaining profitability, and expanding CSR activities to maximize shareholder value.*

Keywords: *Corporate Governance, Corporate Social Responsibility, Firm Value, Mining Sector, Profitability.*

1. INTRODUCTION

The mining sector plays a crucial role in economic development, particularly in resource-rich emerging economies like Indonesia. However, mining operations often face significant environmental and social challenges that can impact firm reputation, regulatory compliance, and ultimately, firm value (Eliyana et al., 2019). In this context, corporate governance, profitability, and corporate social responsibility (CSR) disclosure have emerged as critical factors that influence how investors and stakeholders perceive and value mining companies (Huang & Watson, 2015; Maqbool & Zameer, 2018).

Corporate governance represents the system of rules, practices, and processes by which companies are directed and controlled, ensuring accountability to shareholders and stakeholders (Freeman et al., 2020). In the mining sector, effective governance is particularly important due to the industry's complex operational environment, significant capital requirements, and potential environmental impacts (Burke & Logsdon, 1996; Cabral et al., 2022). Strong governance mechanisms can enhance investor confidence, reduce agency costs, and ultimately increase firm value.

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Profitability remains a fundamental driver of firm value, reflecting management's ability to generate returns from available resources (Ross et al., 2019). In the mining sector, profitability is influenced by commodity prices, operational efficiency, regulatory compliance costs, and environmental management expenses (Ericsson & Löf, 2019). Companies that demonstrate consistent profitability while managing environmental and social risks may command premium valuations from investors.

Corporate social responsibility disclosure has gained increasing importance as stakeholders demand greater transparency regarding environmental, social, and governance (ESG) performance (Branco & Rodrigues, 2008; Wang et al., 2020). For mining companies, CSR disclosure encompasses environmental protection, community engagement, worker safety, and sustainable development practices (Jenkins & Yakovleva, 2006; Prno & Slocombe, 2012). High-quality CSR disclosure can enhance firm reputation, reduce regulatory risks, and improve access to capital markets.

The relationship between these factors and firm value has been extensively studied across various industries, but empirical evidence from the mining sector, particularly in emerging markets, remains limited (Alshehhi et al., 2018; Refinitiv, 2020). The mining industry's unique characteristics, including environmental sensitivity, regulatory complexity, and social impact concerns, create a distinct context for examining these relationships (Ali et al., 2017; Zivin & Neidell, 2018).

Indonesia's mining sector presents an interesting case study due to its significant contribution to the national economy, diverse mineral resources, and evolving regulatory framework (Resosudarmo et al., 2019). The sector has undergone substantial changes following the implementation of new mining laws, environmental regulations, and corporate governance requirements (Wardhana, 2018). These developments create an opportunity to examine how governance, profitability, and CSR disclosure influence firm value in this dynamic environment.

Previous studies have provided mixed evidence regarding the relationship between CSR disclosure and firm value. Some research suggests a positive relationship, arguing that CSR activities signal good management quality and reduce various risks (Margolis et al., 2009; Orlitzky et al., 2003). Other studies find weak or negative relationships, suggesting that CSR investments may represent agency costs or misallocation of resources (Karnani, 2010; Surroca et al., 2010).

The theoretical foundation for examining these relationships draws from multiple perspectives. Agency theory suggests that strong corporate governance reduces conflicts between managers and shareholders, leading to better firm performance and higher valuations (Jensen & Meckling, 1976; Fama & Jensen, 1983). Stakeholder theory proposes that companies managing relationships with all stakeholders, not just shareholders, create superior long-term value (Freeman, 1984; Donaldson & Preston, 1995). Resource-based view theory suggests that CSR capabilities can become valuable, rare, and inimitable resources that create competitive advantages (Barney, 1991; Hart, 1995).

This study contributes to the literature in several ways. First, it provides comprehensive empirical evidence on the determinants of firm value in the Indonesian mining sector using recent data covering 2018-2022. Second, it examines the simultaneous effects of corporate governance, profitability, and CSR disclosure on firm value, providing insights into their relative importance. Third, it employs a comprehensive CSR disclosure index specifically developed for the mining industry, capturing the sector's unique sustainability challenges.

The research objectives are: (1) to examine the effect of corporate governance mechanisms on firm value in mining companies, (2) to analyze the effect of profitability on firm value, (3) to investigate the effect of CSR disclosure on firm value, and (4) to determine the simultaneous effect of corporate governance, profitability, and CSR disclosure on firm value in the mining sector.

2. Literature Review and Hypothesis Development

Theoretical Framework

This study is grounded in three main theoretical perspectives: agency theory, stakeholder theory, and resource-based view (RBV) theory. Agency theory explains how corporate governance mechanisms align the interests of managers and shareholders, reducing agency costs and enhancing firm value (Jensen & Meckling, 1976). Stakeholder theory suggests that firms creating value for all stakeholders achieve superior long-term performance (Freeman, 1984). RBV theory proposes that sustainable competitive advantages arise from valuable, rare, inimitable, and organized resources, including governance capabilities and CSR competencies (Barney, 1991).

Corporate Governance and Firm Value

Corporate governance encompasses the mechanisms that ensure accountability, fairness, and transparency in a company's relationship with stakeholders (OECD, 2015). In the mining sector, effective governance is crucial due to the industry's complex operational environment, significant environmental risks, and substantial capital requirements (Burke & Logsdon, 1996; Cabral et al., 2022).

Board independence represents a key governance mechanism that enhances monitoring effectiveness and reduces agency costs. Independent directors bring external expertise, objective oversight, and reputational concerns that benefit firm value (Fama & Jensen, 1983; Hermalin & Weisbach, 2003). In mining companies, independent directors can provide valuable oversight of environmental compliance, risk management, and strategic decision-making (Crifo et al., 2019).

Empirical evidence generally supports the positive relationship between board independence and firm value. Bhagat & Bolton (2008) found that board independence enhances firm performance in U.S. companies. Kumar & Singh (2013) reported similar findings for Indian companies, while Wahba (2015) found positive effects in Egyptian firms. In the mining context, Crifo et al. (2019) found that board independence enhances environmental performance and firm value.

Audit committee effectiveness represents another crucial governance mechanism that enhances financial reporting quality and risk management. Effective audit committees improve internal controls, ensure compliance with regulations, and enhance investor confidence (Abbott et al., 2004; Krishnan, 2005). In mining companies, audit committees play vital roles in overseeing environmental liabilities, asset impairments, and regulatory compliance (Newell & Goldsmith, 2001).

Research consistently demonstrates the value-enhancing effects of effective audit committees. Klein (2002) found that audit committee independence reduces earnings management and enhances firm value. Vafeas & Waegelein (2007) reported that audit committee expertise improves firm performance. In the extractive industries, effective audit committees are particularly important for managing complex accounting issues related to reserves, impairments, and environmental liabilities (Ernst & Young, 2020).

H1a: Board independence has a positive effect on firm value. H1b: Audit committee effectiveness has a positive effect on firm value.

Profitability and Firm Value

Profitability represents a fundamental determinant of firm value, reflecting management's ability to generate returns from available resources (Ross et al., 2019). In the mining sector, profitability is influenced by commodity prices, operational efficiency, regulatory compliance costs, and environmental management expenses (Ericsson & Löf, 2019).

Return on assets (ROA) measures how effectively a company uses its assets to generate earnings. Higher ROA indicates superior operational efficiency and management effectiveness, which should translate into higher firm valuations (Gitman & Zutter, 2019). In mining companies, ROA reflects the ability to extract value from mineral assets while managing operational and environmental costs.

Empirical evidence consistently supports the positive relationship between profitability and firm value. Fama & French (2006) found that profitability is a strong predictor of stock returns and firm value. In emerging markets, Drobetz et al. (2004) reported similar findings. Specifically in the mining sector, Minnitt & Minnitt (2013) found that profitability measures significantly explain firm value variations.

The relationship between profitability and firm value may be particularly strong in the mining sector due to the industry's capital-intensive nature and cyclical earnings patterns. Investors often focus on profitability metrics to assess mining companies' ability to generate cash flows and fund future operations (PwC, 2021).

H2: Profitability has a positive effect on firm value.

CSR Disclosure and Firm Value

Corporate social responsibility disclosure encompasses the communication of environmental, social, and governance information to stakeholders (Branco & Rodrigues, 2008). In the mining sector, CSR disclosure includes environmental protection, community engagement, worker safety, human rights, and sustainable development practices (Jenkins & Yakovleva, 2006; Prno & Slocombe, 2012).

The theoretical relationship between CSR disclosure and firm value can be explained through multiple mechanisms. First, CSR disclosure signals good management quality and stakeholder orientation, reducing information asymmetry and uncertainty (Dhaliwal et al., 2011). Second, CSR activities can create value through risk reduction, improved stakeholder relationships, and enhanced reputation (Porter & Kramer, 2006; Freeman et al., 2020).

In the mining sector, CSR disclosure is particularly important due to the industry's environmental and social impacts. Mining operations often affect local communities, ecosystems, and natural resources, creating potential conflicts with stakeholders (Ali et al., 2017). High-quality CSR disclosure can help mining companies build social license to operate, reduce regulatory risks, and access capital markets (Prno & Slocombe, 2012; Vintró et al., 2014).

Empirical evidence on the CSR disclosure-firm value relationship is mixed but generally supportive. Margolis et al. (2009) conducted a meta-analysis finding a small positive relationship between CSR and financial performance. Orlitzky et al. (2003) found similar results in their meta-analysis. More recently, Friede et al. (2015) analyzed over 2,000 studies and found that the majority report positive ESG-financial performance relationships.

Specifically in the mining sector, several studies support the positive CSR-firm value relationship. Kapelus (2002) found that CSR initiatives enhance mining companies' social license to operate. Davis & Franks (2014) reported that community engagement programs improve project outcomes and firm value. More recently, Cabral et al. (2022) found positive relationships between ESG performance and firm value in global mining companies.

H3: CSR disclosure has a positive effect on firm value.

Simultaneous Effects

The interaction between corporate governance, profitability, and CSR disclosure may create synergistic effects on firm value. Strong governance mechanisms can enhance profitability through better decision-making and risk management (Bhagat & Bolton, 2008). Effective governance can also improve CSR performance by ensuring appropriate oversight of sustainability initiatives (Crifo et al., 2019).

Profitability provides resources for CSR investments and governance improvements, while also signaling management effectiveness (Porter & Kramer, 2006). CSR activities can enhance profitability through risk reduction, efficiency improvements, and stakeholder value creation (Hart & Ahuja, 1996; King & Lenox, 2001).

H4: Corporate governance, profitability, and CSR disclosure simultaneously have positive effects on firm value.

3. RESEARCH METHODS

Research Design

This study employed a quantitative approach using panel data analysis to examine the relationship between corporate governance, profitability, CSR disclosure, and firm value in mining companies. The panel data methodology allows for controlling unobserved heterogeneity and provides more efficient estimates compared to cross-sectional analysis (Baltagi, 2021).

Population and Sample

The population consisted of all mining companies listed on the Indonesia Stock Exchange during 2018-2022. Using purposive sampling, the final sample included 38 companies that met the following criteria: (1) continuously listed during the observation period, (2) published complete annual reports and sustainability reports, (3) had complete financial data available, and (4) were not involved in major restructuring or bankruptcy proceedings. This resulted in 190 firm-year observations.

Variables and Measurement

Dependent Variable: Firm Value (TOBINQ)

Firm value was measured using Tobin's Q ratio, calculated as the market value of equity plus book value of debt divided by total assets. Tobin's Q is widely used in corporate finance research as it captures both market perceptions and fundamental value (Chung & Pruitt, 1994; Wernerfelt & Montgomery, 1988).

Independent Variables:

Board Independence (BIND): Measured as the proportion of independent directors on the board of directors.

Audit Committee Effectiveness (ACE): Measured using a composite index incorporating audit committee independence, financial expertise, meeting frequency, and size, following Abbott et al. (2004).

Profitability (ROA): Measured as return on assets, calculated as net income divided by total assets.

CSR Disclosure (CSRD): Measured using a comprehensive disclosure index based on Global Reporting Initiative (GRI) Standards specifically adapted for the mining industry, incorporating 85 disclosure items across environmental, social, and governance dimensions.

Control Variables:

Firm Size (SIZE): Measured as the natural logarithm of total assets.

Leverage (LEV): Measured as total debt divided by total assets.

Firm Age (AGE): Measured as the number of years since listing on IDX.

Growth Opportunities (GROWTH): Measured as the percentage change in total assets.

Data Collection

Data were collected from multiple sources: (1) financial data from IDX database and annual reports, (2) corporate governance information from annual reports and company websites, (3) CSR disclosure data from sustainability reports and annual reports, and (4) market data from Yahoo Finance and Bloomberg databases.

The CSR disclosure index was constructed by content analysis of annual reports and sustainability reports. Each disclosure item was scored dichotomously (1 if disclosed, 0 if not disclosed), and the final CSRD score was calculated as the percentage of disclosed items.

Data Analysis

Data analysis employed several steps: (1) descriptive statistics and correlation analysis, (2) panel data specification tests (Chow test, Hausman test, Breusch-Pagan test), (3) classical assumption testing, and (4) panel data regression analysis. Based on specification tests, random effects estimation was selected as the most appropriate method.

The regression model specification was:

$$TOBINQit = \beta0 + \beta1BINDit + \beta2ACEit + \beta3ROAit + \beta4CSRDit + \beta5SIZEit + \beta6LEVit + \beta7AGEit + \beta8GROWTHit + \varepsilon it$$

Where i represents individual companies and t represents time periods.

4. RESULTS

Descriptive Statistics

Table 1 presents descriptive statistics for all variables. The mean Tobin's Q was 1.247 (SD = 0.689), indicating that sample companies were generally valued above their book values. Board independence averaged 42.3%, while audit committee effectiveness scored 0.731 out of 1.0. Mean ROA was 4.67%, and CSR disclosure averaged 58.4% of possible items.

Table 1. Descriptive Statistics

Variable	N	Mean	Std. Dev.	Minimum	Maximum
Tobin's Q	190	1.247	0.689	0.312	3.456
Board Independence	190	0.423	0.134	0.200	0.714
Audit Committee Effectiveness	190	0.731	0.167	0.375	1.000
ROA (%)	190	4.67	7.23	-15.34	24.78
CSR Disclosure (%)	190	58.4	18.7	21.2	91.8
Firm Size	190	29.47	1.52	26.83	32.76
Leverage	190	0.347	0.198	0.067	0.782
Firm Age	190	18.6	12.4	5	47
Growth (%)	190	8.34	15.67	-23.45	67.89

Correlation Analysis

Table 2 shows the correlation matrix among variables. Board independence shows a significant positive correlation with Tobin's Q ($r = 0.314$, $p < 0.01$), as do audit committee effectiveness ($r = 0.287$, $p < 0.01$), ROA ($r = 0.521$, $p < 0.01$), and CSR disclosure ($r = 0.298$, $p < 0.01$). The correlation coefficients between independent variables are below 0.7, indicating no severe multicollinearity concerns.

Table 2. Correlation Matrix

	TQ	BIND	ACE	ROA	CSRD	SIZE	LEV	AGE	GROWTH
TQ	1.000								
BIND	0.314**	1.000							
ACE	0.287**	0.456**	1.000						
ROA	0.521**	0.198**	0.167*	1.000					
CSRD	0.298**	0.345**	0.289**	0.234**	1.000				
SIZE	0.156*	0.267**	0.323**	0.089	0.298**	1.000			
LEV	-0.289**	-0.123	-0.087	-0.456**	-0.156*	0.234**	1.000		

	TQ	BIND	ACE	ROA	CSRD	SIZE	LEV	AGE	GROWTH
AGE	0.123	0.189*	0.156*	0.067	0.203**	0.345**	0.089	1.000	
GROWTH	0.234**	0.067	0.089	0.367**	0.123	-0.045	-0.167*	-0.234**	1.000

*p < 0.05, **p < 0.01

Panel Data Specification Tests

The Chow test favored fixed effects over pooled OLS (F = 2.34, p < 0.01). The Hausman test could not reject the null hypothesis, favoring random effects over fixed effects (χ^2 = 12.45, p > 0.05). The Breusch-Pagan Lagrange Multiplier test confirmed the appropriateness of panel data analysis over pooled regression (LM = 145.67, p < 0.01). Therefore, random effects estimation was selected.

Classical Assumption Tests

Normality testing using Jarque-Bera test indicated normal distribution of residuals (JB = 4.23, p > 0.05). Multicollinearity was not detected as VIF values were below 5 for all variables. Heteroscedasticity testing using Breusch-Pagan test showed homoscedastic residuals (χ^2 = 8.67, p > 0.05). Autocorrelation testing using Wooldridge test indicated no first-order autocorrelation (F = 1.87, p > 0.05).

Panel Data Regression Results

Table 3 presents the random effects panel regression results. The model demonstrates strong explanatory power with an R^2 of 0.713, indicating that 71.3% of the variance in firm value is explained by the independent variables.

Table 3. Random Effects Panel Regression Results

Variable	Coefficient	Std. Error	z-Statistic	Prob.
Constant	-2.4567	0.8934	-2.750	0.0060
BIND	1.3456	0.5678	2.370	0.0178
ACE	0.7823	0.3967	1.971	0.0488
ROA	0.0389	0.0087	4.471	0.0000
CSRD	0.0076	0.0034	2.235	0.0254

Variable	Coefficient	Std. Error	z-Statistic	Prob.
SIZE	0.1234	0.0456	2.705	0.0068
LEV	-0.8945	0.3245	-2.756	0.0058
AGE	0.0045	0.0067	0.672	0.5015
GROWTH	0.0123	0.0045	2.733	0.0063

$R^2 = 0.713$, Adjusted $R^2 = 0.701$, Wald $\chi^2 = 187.45$, Prob(Wald χ^2) = 0.0000

Hypothesis Testing Results

Hypothesis 1a: Board independence shows a significant positive coefficient (1.3456, $p < 0.05$), supporting H1a. Higher board independence enhances firm value.

Hypothesis 1b: Audit committee effectiveness demonstrates a significant positive coefficient (0.7823, $p < 0.05$), supporting H1b. More effective audit committees increase firm value.

Hypothesis 2: ROA exhibits a strong positive coefficient (0.0389, $p < 0.01$), strongly supporting H2. Higher profitability significantly enhances firm value.

Hypothesis 3: CSR disclosure shows a significant positive coefficient (0.0076, $p < 0.05$), supporting H3. Greater CSR disclosure increases firm value.

Hypothesis 4: The overall model significance (Wald $\chi^2 = 187.45$, $p < 0.01$) and high R^2 (0.713) support H4. Corporate governance, profitability, and CSR disclosure simultaneously enhance firm value.

Additional Analysis

Relative importance analysis revealed that profitability (ROA) contributes 38.2% to the explained variance, followed by board independence (22.1%), CSR disclosure (18.7%), and audit committee effectiveness (15.4%). Control variables contributed the remaining 5.6%.

5. DISCUSSION

Effect of Corporate Governance on Firm Value

The findings that both board independence ($\beta = 1.3456$, $p < 0.05$) and audit committee effectiveness ($\beta = 0.7823$, $p < 0.05$) significantly enhance firm value provide strong support for agency theory and align with previous governance literature (Fama & Jensen, 1983; Bhagat & Bolton, 2008).

Board independence appears to be particularly valuable in the mining sector, where independent directors can provide crucial oversight of environmental compliance, risk management, and strategic decision-making. The substantial coefficient suggests that investors place high premiums on independent oversight in this industry, likely due to the sector's complex operational environment and significant environmental risks (Crifo et al., 2019).

The positive effect of audit committee effectiveness reflects the importance of financial oversight and risk management in mining companies. Effective audit committees enhance investor confidence by ensuring high-quality financial reporting, proper internal controls, and adequate risk management systems. This is particularly important in mining, where companies face complex accounting issues related to reserves, impairments, and environmental liabilities (Ernst & Young, 2020).

Effect of Profitability on Firm Value

The strong positive effect of profitability on firm value ($\beta = 0.0389$, $p < 0.01$) confirms theoretical expectations and aligns with extensive empirical evidence (Fama & French, 2006; Ross et al., 2019). The coefficient indicates that each 1% increase in ROA is associated with approximately 0.039 increase in Tobin's Q, representing a substantial economic impact.

In the mining sector, profitability is particularly important due to the industry's capital-intensive nature, cyclical earnings patterns, and long investment horizons. Investors focus on profitability metrics to assess mining companies' ability to generate cash flows, fund future operations, and weather commodity price volatility (PwC, 2021). The strong relationship observed in this study reflects these investor concerns.

The relative importance analysis showing profitability's 38.2% contribution to explained variance confirms its fundamental role in firm valuation. This finding suggests that while governance and CSR factors are important, fundamental financial performance remains the primary driver of firm value in the mining sector.

Effect of CSR Disclosure on Firm Value

The significant positive effect of CSR disclosure on firm value ($\beta = 0.0076$, $p < 0.05$) provides empirical support for stakeholder theory and aligns with growing evidence of ESG-financial performance relationships (Friede et al., 2015; Margolis et al., 2009).

In the mining sector, CSR disclosure is particularly important due to the industry's environmental and social impacts. High-quality CSR disclosure signals good management quality, stakeholder orientation, and risk management capabilities. It can help mining

companies build social license to operate, reduce regulatory risks, and access capital markets (Prno & Slocombe, 2012; Vintró et al., 2014).

The coefficient suggests that each 1% increase in CSR disclosure index is associated with 0.0076 increase in Tobin's Q. While this may appear modest, the economic significance becomes substantial when considering the range of CSR disclosure scores (21.2% to 91.8%). Companies moving from low to high CSR disclosure could experience significant value increases.

The 18.7% contribution to explained variance indicates that CSR disclosure represents a meaningful driver of firm value, though less important than profitability or board independence. This finding supports arguments that CSR activities can create shareholder value while benefiting other stakeholders.

Simultaneous Effects and Synergies

The high R^2 of 0.713 and significant overall model (Wald $\chi^2 = 187.45$, $p < 0.01$) demonstrate that corporate governance, profitability, and CSR disclosure together explain over 71% of firm value variance. This strong explanatory power suggests that these factors capture the essential elements influencing mining company valuations.

The comprehensive model provides insights into the relative importance of different value drivers. While profitability remains the most important factor (38.2% contribution), governance mechanisms (37.5% combined) and CSR disclosure (18.7%) together represent 56.2% of explained variance. This finding highlights the growing importance of non-financial factors in firm valuation.

The simultaneous significance of all main variables suggests complementary rather than substitutive relationships. Strong governance may enhance profitability through better decision-making and risk management. Effective governance can also improve CSR performance by ensuring appropriate oversight of sustainability initiatives. High CSR performance may contribute to long-term profitability through risk reduction and stakeholder value creation.

Control Variables

The significant positive effects of firm size ($\beta = 0.1234$, $p < 0.01$) and growth opportunities ($\beta = 0.0123$, $p < 0.01$) align with corporate finance theory and previous empirical evidence. Larger mining companies may benefit from economies of scale, better access to capital markets, and superior risk management capabilities.

The significant negative effect of leverage ($\beta = -0.8945$, $p < 0.01$) reflects the increased financial risk associated with higher debt levels. In the cyclical mining industry, high leverage can amplify downside risks during commodity price downturns, leading to lower valuations.

Practical Implications

The findings offer several practical implications for mining company management, investors, and policymakers. For management, the results suggest that value creation strategies should focus on multiple dimensions: maintaining strong financial performance, implementing effective governance structures, and expanding CSR activities.

The strong effect of board independence suggests that mining companies should prioritize recruiting qualified independent directors with relevant expertise in environmental management, risk oversight, and strategic planning. Similarly, investing in audit committee effectiveness through director training, appropriate composition, and adequate resources appears to create substantial value.

For investors, the findings highlight the importance of considering governance and CSR factors alongside traditional financial metrics when evaluating mining companies. The significant effects of these factors suggest they provide incremental information for investment decisions.

For policymakers and regulators, the results support continued emphasis on corporate governance requirements and CSR disclosure standards. The positive relationship between these factors and firm value suggests that regulatory requirements may enhance market efficiency and capital allocation.

Theoretical Contributions

This study contributes to multiple theoretical perspectives. The significant governance effects support agency theory's predictions about the value of monitoring mechanisms in reducing agency costs. The positive CSR disclosure effects provide evidence for stakeholder theory's proposition that managing relationships with all stakeholders creates superior value.

The research also contributes to resource-based view theory by demonstrating how governance capabilities and CSR competencies can become valuable resources that create competitive advantages. The significant effects and high explanatory power suggest that these capabilities are indeed valuable and potentially rare among mining companies.

6. CONCLUSION

This study provides comprehensive empirical evidence on the relationship between corporate governance, profitability, and corporate social responsibility disclosure on firm value in the Indonesian mining sector during 2018-2022. The findings demonstrate that all three factor categories significantly enhance firm value, with the comprehensive model explaining 71.3% of firm value variance.

Corporate governance mechanisms show significant positive effects on firm value, with board independence ($\beta = 1.3456$, $p < 0.05$) and audit committee effectiveness ($\beta = 0.7823$, $p < 0.05$) both enhancing valuations. These findings confirm the crucial role of governance oversight in the mining sector, where complex operations and environmental risks require effective monitoring and control systems.

Profitability demonstrates the strongest effect on firm value ($\beta = 0.0389$, $p < 0.01$), contributing 38.2% to explained variance. This confirms that fundamental financial performance remains the primary driver of firm value, even as non-financial factors gain importance. The strong profitability effect reflects investor focus on cash generation capabilities in the capital-intensive and cyclical mining industry.

CSR disclosure shows a significant positive effect on firm value ($\beta = 0.0076$, $p < 0.05$), contributing 18.7% to explained variance. This finding supports stakeholder theory and demonstrates that CSR activities can create shareholder value while benefiting other stakeholders. In the environmentally sensitive mining sector, CSR disclosure signals good management quality and risk management capabilities.

The simultaneous significance of all factors and high overall explanatory power support arguments for integrated value creation strategies that balance financial performance, governance excellence, and sustainability. The complementary nature of these factors suggests that mining companies should pursue holistic approaches rather than focusing on single dimensions.

Theoretical contributions include support for agency theory through the governance effects, stakeholder theory through the CSR effects, and resource-based view theory through the demonstration that governance and CSR capabilities create competitive advantages. The research advances understanding of value creation in environmentally sensitive industries where traditional financial metrics may not capture all value drivers.

Practical implications include the importance of strong governance structures, the continued primacy of profitability, and the value-enhancing potential of CSR activities. Mining companies should invest in board independence, audit committee effectiveness, operational efficiency, and comprehensive CSR disclosure to maximize firm value.

The study's limitations include the focus on Indonesian mining companies, which may limit generalizability, and the use of disclosure-based CSR measures that may not fully capture CSR performance. Future research could examine CSR performance outcomes, investigate mediating mechanisms, and explore cross-country comparisons to enhance understanding of these relationships.

Overall, this research contributes to understanding the determinants of firm value in the mining sector and provides evidence for the business case for corporate governance and sustainability investments. The findings support continued development of governance standards and CSR disclosure requirements while emphasizing the fundamental importance of profitability in value creation.

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