



## Corporate Social Responsibility Disclosure as a Social Legitimacy Mechanism and Profitability on Mining Firm Value 2021-2024

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### ABSTRACT

**Purpose of the study:** This study investigates the effect of corporate social responsibility disclosure as a social legitimacy mechanism and profitability on firm value in the mining industry.

**Methodology:** This research employs secondary data derived from annual financial statements and sustainability reports of mining companies listed on the Indonesia Stock Exchange. A causal associative quantitative approach with purposive sampling was utilized. Data analysis involved multiple linear regression, classical assumption testing, and descriptive statistical analysis, processed using IBM SPSS Statistics software.

**Main Findings:** The results show that corporate social responsibility disclosure has a positive and statistically significant effect on firm value in the mining sector. In contrast, profitability does not have a significant partial effect on firm value. However, when examined simultaneously, corporate social responsibility disclosure and profitability jointly have a significant influence on firm value.

**Novelty/Originality of this study:** This study offers originality by examining corporate social responsibility disclosure based on the Global Reporting Initiative Standards 2021 as a mechanism of social legitimacy in explaining firm value in the mining sector. Using recent panel data from 2021 to 2024 in Indonesia, the findings demonstrate that corporate social responsibility disclosure plays a more decisive role than profitability in shaping firm value, particularly in industries with high social and environmental exposure.

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## 1. INTRODUCTION

The mining sector plays a strategic role in Indonesia's national economy through its contribution to state revenue, foreign exchange earnings, and regional economic development [1]-[3]. Despite its economic importance, mining activities are inherently associated with substantial social and environmental impacts, including environmental degradation, resource depletion, and social conflict with surrounding communities. These characteristics place mining companies under intense public scrutiny and expose them to strong legitimacy pressures from governments, communities, and other stakeholders [4]-[6].

In industries with high social and environmental exposure, corporate sustainability depends not only on financial performance but also on the ability to obtain and maintain social legitimacy. Legitimacy theory posits that organizations strive to align their operations with societal values, norms, and expectations to secure sustained support and access to critical resources [5], [7], [8]. When corporate activities generate negative externalities, legitimacy gaps may arise, threatening stakeholder trust, regulatory approval, and market valuation [4], [6], [7].

In this context, corporate social responsibility disclosure serves as a mechanism for social legitimacy. Through transparent and structured disclosure of social and environmental practices, companies communicate their commitment to responsible conduct and demonstrate alignment with societal expectations [9], [10]. For mining companies, corporate social responsibility disclosure functions as a strategic instrument to reduce legitimacy gaps arising from environmental and social impacts, strengthen stakeholder relationships, and maintain public acceptance [11], [12]. Previous studies indicate that effective corporate social responsibility disclosure enhances corporate credibility and contributes to improved market perception and firm value. Within this context, corporate social responsibility disclosure functions as a social legitimacy mechanism. Through transparent and structured disclosure of social and environmental practices, companies communicate their commitment to responsible behavior and demonstrate alignment with societal expectations. For mining companies, corporate social responsibility disclosure serves as a strategic instrument to mitigate legitimacy gaps arising from environmental and social impacts, strengthen stakeholder relationships, and maintain public acceptance [13]. Prior studies indicate that effective corporate social responsibility disclosure enhances corporate credibility and contributes to improved market perceptions and firm value [14]-[17].

In addition, corporate social responsibility also serves as a strategic tool to enhance the company's reputation, competitive advantage, and sustainability, as well as to support the integration of social, environmental, and economic sustainability through the Triple Bottom Line approach [18]-[20]. As a socio-organizational indicator, corporate social responsibility reflects managerial decisions and the company's responses to external pressures [21], [22]. In Indonesia, corporate social responsibility is mandated by law through Law No. 40/2007, Government Regulation No. 47/2012, and Law No. 3/2020, which regulate community empowerment programs and post-mining environmental restoration [11], [23]-[25].

Beyond non-financial aspects, profitability also plays an important role in shaping corporate legitimacy and market perceptions. Profitability reflects a company's ability to generate economic returns from its resources and signals managerial efficiency and operational viability. From a legitimacy perspective, sustained profitability provides the economic foundation that enables firms to support social and environmental initiatives and reinforces stakeholder confidence in the firm's long-term survival [21], [26]. However, in capital-intensive and volatile industries such as mining, profitability is often influenced by external factors such as global commodity price fluctuations, regulatory changes, and macroeconomic uncertainty [27]. Consequently, profitability alone may not fully explain firm value dynamics in this sector [26], [28].

Firm value represents the market's overall assessment of a company's performance, prospects, and long-term sustainability. Capital market participants rely on both financial and non-financial information when evaluating firm value [22]. From the perspective of signaling theory, corporate social responsibility disclosure and profitability convey complementary signals to investors. Corporate social responsibility disclosure signals ethical commitment, social accountability, and sustainability orientation, while profitability provides financial confirmation of the firm's capacity to sustain operations and generate future returns [29]. The interaction between these signals shapes investor perceptions and is ultimately reflected in firm value [30]-[32].

Despite extensive research on corporate social responsibility, profitability, and firm value, empirical findings remain inconclusive, particularly in the mining sector. Differences in industry characteristics, institutional settings, reporting standards, and observation periods have produced mixed results across. Moreover, limited studies explicitly conceptualize corporate social responsibility disclosure as a social legitimacy mechanism using recent sustainability reporting standards and post-pandemic data [33], [34].

Therefore, this study has strong urgency and relevance. Increasing public concern regarding environmental and social issues, combined with rising expectations for corporate transparency, has elevated the importance of corporate social responsibility disclosure in legitimacy management and value creation. This study offers originality by examining corporate social responsibility disclosure based on the Global Reporting Initiative Standards 2021 as a social legitimacy mechanism in explaining firm value within the mining sector. Using panel data from Indonesian mining companies during the 2021 to 2024 period, this research captures recent economic conditions, regulatory developments, and sustainability pressures affecting the industry [12], [28], [35].

Based on this description, this research is important to conduct to provide a deeper and more comprehensive understanding of the determinants of firm value in the mining sector. This study focuses on the role of corporate social responsibility disclosure and profitability as measured by return on assets. Mining companies listed on the Indonesia Stock Exchange are selected as the research object due to their high social and environmental impact. The research period from 2021 to 2024 is expected to capture recent conditions and provide relevant empirical evidence [35]-[37].

Based on this conceptual framework, the research hypotheses are formulated as follows:

H1: Corporate social responsibility disclosure has a positive effect on company value.

H2: Return on Assets has a positive effect on company value.

H3: Corporate social responsibility disclosure and Return on Assets simultaneously have a positive effect on company value.

## 2. RESEARCH METHOD

### 2.1 Research Design

This study adopts a quantitative approach with an associative-causal design to analyze the relationship between Corporate social responsibility disclosure, Return on Assets, and firm value in mining companies [12],[15]. Although this study uses financial and disclosure data, these indicators are positioned as proxies representing social and organizational phenomena within the firm [36]. Corporate social responsibility disclosure reflects the company's response to stakeholder expectations and demands for social legitimacy [4], [10], while Return on Assets represents the level of profitability and the firm's economic capacity [38]. This approach enables the study to explain firm value from both social and economic perspectives [15].

### 2.2 Population, Sample, and Data Sources

This study employs secondary data obtained from annual financial statements and sustainability reports of mining sector companies listed on the Indonesia Stock Exchange during the 2021-2024 period [35]. Financial data are utilized as proxies to capture organizational social phenomena, as they reflect managerial decision-making, patterns of resource allocation, and corporate responses to stakeholder pressures and expectations [4]. Accordingly, financial information is not merely interpreted as an indicator of economic performance but also as a representation of a firm's capacity to maintain social legitimacy and institutional accountability [15].

The mining sector is selected due to the nature of its operations, which involve substantial social and environmental exposure, thereby subjecting mining companies to greater legitimacy demands than firms in other industries [37], [39]. The research population comprises all mining companies listed on the Indonesia Stock Exchange throughout the observation period. The sample is determined using a purposive sampling technique based on specific criteria, including firms that were consistently listed during the study period, published audited annual financial statements, and disclosed corporate social responsibility information through sustainability reports or annual reports [14], [38]. Based on these criteria, 21 mining companies are selected, resulting in 84 firm-year observations [35]. The data are collected from the official website of the Indonesia Stock Exchange and the respective companies' official websites [26]. After identifying and removing 18 outlier observations, the final sample consists of 66 firm-year observations.

### 2.3 Data Collection Procedure

Data collection is conducted using a documentation method based on secondary data sources. The process begins with identifying mining companies listed on the Indonesia Stock Exchange during the 2021-2024 period that meet the predetermined sample criteria. Audited annual financial reports and sustainability reports are then collected from official and publicly accessible sources. The collected data are classified according to the research variables, namely Corporate social responsibility disclosure, profitability as measured by Return on Assets, and firm value as measured by Tobin's Q. All data are examined for completeness and consistency and subsequently organized in panel data format to capture variations across time and firms for further statistical analysis [28], [37], [39]. The data sources and data collection instruments used in this study are summarized in Table 1.

Tabel 1. Data Sources and Data Collection Instrumen

No	Instrument Type	Data Source	Variable/Indicators	Purpose
1	Documentation	Sustainability Report	Corporate social responsibility Disclosure (Global Reporting Initiative Standards 2021 Index)	To measure the extent of corporate social responsibility disclosure of mining companies
2	Documentation	Audited Annual Financial Report	Profitability (Return on Assets)	To measure the company's ability to generate profit from its total assets
3	Documentation	Audited Annual Financial Report	Firm Value (Tobin's Q)	To measure firm value based on market valuation relative to asset replacement cost

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## 2.4 Operational Definitions and Measurement of Variables

### 2.4.1 Corporate social responsibility

Corporate social responsibility refers to the extent to which companies disclose information related to their economic, environmental, and social responsibilities to stakeholders. In this study, Corporate social responsibility disclosure is interpreted as a mechanism through which firms communicate accountability and seek to maintain social legitimacy in response to stakeholder expectations [10], [12], [28]. The Corporate social responsibility variable is measured using the Corporate social responsibility Disclosure Index obtained through content analysis of sustainability reports or annual reports [16]. The measurement follows the Global Reporting Initiative Standards 2021, where each disclosure item is assigned a score of 1 if disclosed and 0 if not disclosed. The Corporate social responsibility Disclosure Index is calculated as the ratio of the number of disclosed items to the total number of required disclosure items [28].

### 2.4.2 Profitability

Profitability reflects a firm's ability to generate earnings from the economic resources it controls. A higher level of profitability indicates that the company is able to manage its operations efficiently and utilize its assets effectively to produce sustainable profits. Firms with strong profitability are generally perceived by investors as having better financial performance and more favorable future prospects [12], [17], [28], [38].

In this study, profitability is measured using Return on Assets, which represents the firm's capacity to generate net income from its total assets. Return on Assets is employed because it provides a comprehensive indication of how efficiently a company utilizes its assets to support operational performance. A higher Return on Assets suggests effective asset management and stronger financial performance, which may positively influence market perceptions of firm value [19], [30].

### 2.4.3 Firm Value

Firm value represents the market's assessment of a company's overall performance, sustainability, and future growth prospects. This variable is measured using Tobin's Q, which compares the market value of a company with the book value of its total assets. Tobin's Q is calculated by summing the market value of equity and total debt and dividing the result by the book value of total assets [40], [41]. A Tobin's Q value greater than one indicates that the market perceives the firm as having favorable growth prospects and the ability to create long-term value [20], [33].

## 2.5 Research Procedures

The research procedures in this study are designed and implemented in a systematic and sequential manner to ensure that the research objectives are achieved effectively and that the data analysis produces valid and reliable results. Each stage of the research process is conducted in an orderly sequence, beginning with the identification of mining companies listed on the Indonesia Stock Exchange, followed by data collection, sample selection, and variable measurement. The procedure then continues with descriptive statistical analysis, classical assumption testing, and multiple linear regression analysis, which are carried out to examine the proposed hypotheses. The overall flow of the research process, from the initial stage to the final stage of drawing conclusions based on statistical analysis results, is presented in the following flowchart.

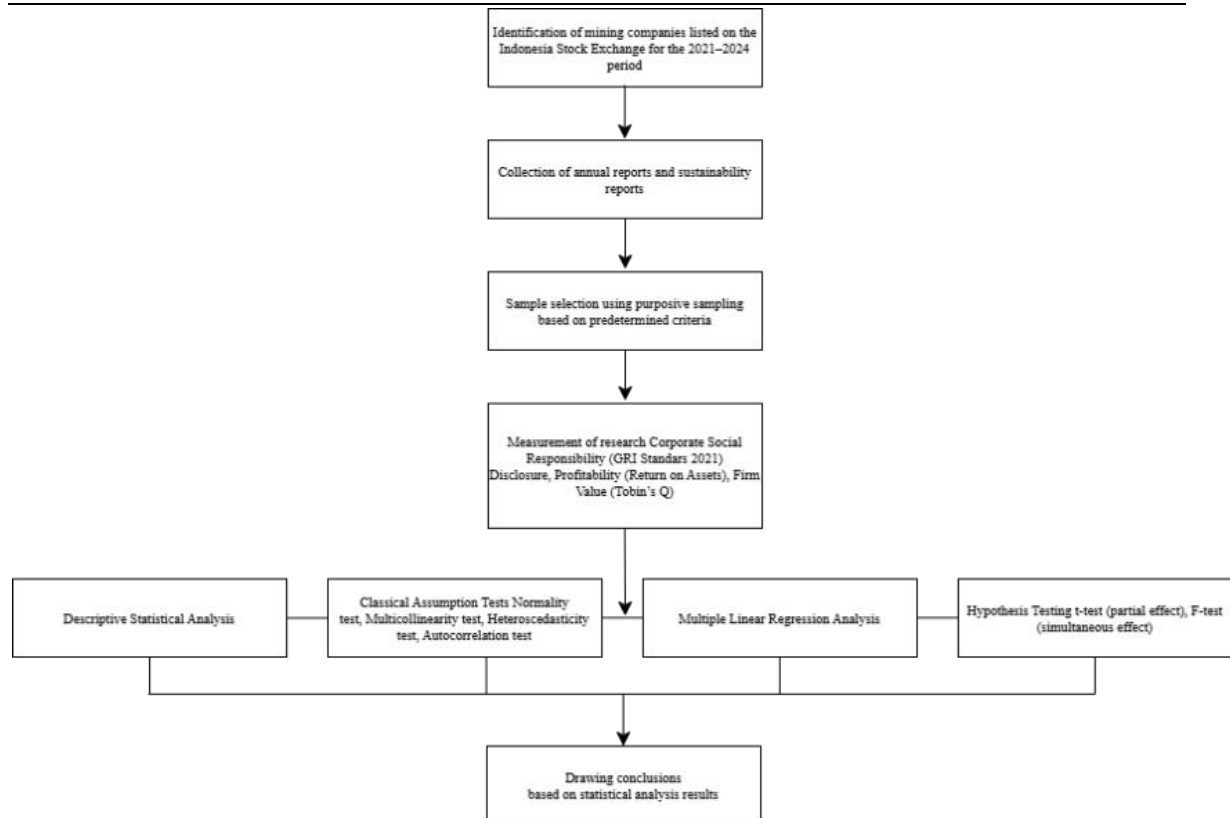


Figure 1. Research Procedures Flowchart

## 2.6 Data Analysis Technique

Descriptive statistical analysis is conducted to provide an overview of the research data by presenting the minimum, maximum, mean, and standard deviation values for each variable [35], [36], [38]. Furthermore, multiple linear regression analysis is employed to examine the effect of corporate social responsibility disclosure and profitability on firm value [12], [19], [30]. Prior to regression analysis, classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, are performed to ensure that the regression model satisfies statistical assumptions and produces unbiased and reliable estimates [42], [43].

The multiple linear regression model used in this study is formulated as follows:

$$\text{Firm Value} = \alpha + \beta_1(\text{Corporate Social Responsibility}) + \beta_2(\text{Return on Asset}) + \epsilon_i \dots (1)$$

Firm Value refers to the value of the company measured using Tobin's Q [20], [33]. While Corporate social responsibility Disclosure represents the level of corporate social responsibility disclosure measured based on the Global Reporting Initiative Standards 2021 [42]. Profitability reflects the company's ability to generate profits from its total assets and is measured using Return on Assets [30],[38]. In this model,  $\alpha$  represents the constant term,  $\beta_1$  and  $\beta_2$  denote the regression coefficients of the independent variables, and  $\epsilon_i$  is the error term.

Hypothesis testing is conducted using the t-test to evaluate the partial effect of each independent variable on firm value and the F-test to assess the simultaneous effect of corporate social responsibility disclosure and profitability on firm value [19], [30], [44]. In addition, the coefficient of determination is used to measure the ability of the independent variables to explain variations in the dependent variable [12]. The research hypotheses propose that corporate social responsibility disclosure and profitability each have a positive effect on firm value, both individually and simultaneously.

## 3. RESULTS AND DISCUSSION

The discussion section aims to interpret the empirical findings by linking the regression results with relevant theories and prior empirical studies. This section explains the effect of corporate social responsibility disclosure and profitability, measured by return on assets, on firm value in mining companies listed on the Indonesia Stock Exchange. The analysis focuses on the research period from 2021 to 2024 to capture recent

industry conditions. In addition, the discussion highlights the economic meaning and implications of both significant and insignificant relationships identified in this study.

### 3.1 Results

#### 3.1.1 Descriptive Statistics

Descriptive statistics are used to provide an overview of the distribution and characteristics of the research variables, including corporate social responsibility, profitability, and firm value. This analysis summarizes the data by presenting the minimum and maximum values of each variable. In addition, the mean values describe the central tendency of the data. The standard deviation reflects the level of variability among the observations.

Table 2. Descriptive Statistics of Corporate social responsibility, Profitability, and Firm Value Variable

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std.Deviation
LN_Corporate social responsibility	66	-.04	1.53	.599	.350
Return on Asset	66	-.04	.22	.065	.056
Tobin's	66	.02	1.96	.882	.337
Valid N (listwise)	66				

Source: secondary data analyzed using SPSS version 27.0

Based on the descriptive statistics present in the Table 2 all research variables consist of 66 observations, indicating that the dataset is adequate and reliable for further statistical analysis. the Corporate social responsibility disclosure variable shows a minimum value of -0.04 and a maximum value of 1.53. The mean value of Corporate social responsibility disclosure is 0.599 with a standard deviation of 0.350, indicating considerable variation in Corporate social responsibility disclosure practices among mining companies. This finding suggests that although most companies disclose Corporate social responsibility activities, the extent of disclosure remains uneven across firms.

Profitability, measured by return on assets, has a minimum value of -0.04 and a maximum value of 0.22. The average return on assets is 0.065 with a standard deviation of 0.056. These results reflect variations in the ability of mining companies to generate profits from their assets. However, the relatively low standard deviation indicates that profitability levels within the mining sector are fairly stable during the observation period.

Firm value, proxied by Tobin's Q, ranges from a minimum value of 0.02 to a maximum value of 1.96. The mean Tobin's Q value is 0.882 with a standard deviation of 0.337, indicating variation in market valuation among mining companies. These results suggest that while several firms are valued above their book value, others are still perceived by the market as underperforming. Such differences reflect varying levels of investor confidence and market expectations across firms.

Overall, the descriptive statistics reveal heterogeneity among mining companies in terms of corporate social responsibility disclosure and market valuation, while profitability appears to be relatively less dispersed. These variations indicate differences in corporate practices and market perceptions across firms. Therefore, further regression analysis is justified to examine the relationship between corporate social responsibility disclosure, profitability, and firm value.

#### 3.1.2 Classical Assumption Tests

Prior to hypothesis testing, classical assumption tests were conducted to ensure that the regression model meets the requirements of the Ordinary Least Squares method and to verify the validity and reliability of the regression estimates. The normality of the regression residuals was examined using the Kolmogorov Smirnov test, which produced an Asymp. Sig. two tailed value of 0.200, exceeding the significance level of 0.05, indicating that the residuals are normally distributed. Multicollinearity was tested by analyzing tolerance values and variance inflation factor values, where the tolerance values for corporate social responsibility disclosure and return on assets were greater than 0.10 and the variance inflation factor values were close to one and well below the critical threshold of ten, confirming the absence of multicollinearity among the independent variables. Furthermore, the heteroskedasticity test using the Glejser method showed that the significance levels of both independent variables were greater than 0.05, indicating constant variance of the residuals and the absence of heteroskedasticity. Autocorrelation was tested using the Durbin Watson statistic, which yielded a value of 1.756, close to the ideal value of 2, suggesting that there is no serious autocorrelation among the residuals. Overall, these results indicate that the regression model satisfies all classical assumptions and is appropriate for further statistical analysis and hypothesis testing.

### 3.1.3 Multiple Linear Regression Results

The multiple linear regression analysis produces the following estimation model, which describes the relationship between the dependent variable and the independent variables included in this study. This model is used to examine the extent to which corporate social responsibility disclosure and return on assets influence firm value. The estimated regression equation provides information on the direction and magnitude of the effect of each independent variable. The results of this estimation serve as the basis for hypothesis testing and further interpretation of the research findings.

$$\text{Tobin's } Q = 0.453 + 0.663 \text{ LN\_Corporate social responsibility} + 0.492 \text{ Return on Asset} + \varepsilon \dots (2)$$

- The constant value of 0.453 represents firm value measured by Tobin's Q when Corporate social responsibility disclosure and Return on Assets are held constant. This constant is statistically significant with a significance value below 0.001, indicating that the intercept is appropriate to be included in the regression model.
- Corporate social responsibility disclosure has a positive regression coefficient of 0.663 and is statistically significant with a significance value below 0.001. This result indicates that higher levels of Corporate social responsibility disclosure significantly increase firm value.
- Return on Assets shows a positive regression coefficient of 0.492, which suggests a positive relationship between profitability and firm value. However, this effect is not statistically significant, as indicated by a significance value of 0.341, which is greater than 0.05. This finding implies that profitability does not have a significant influence on firm value.
- Overall, the regression results indicate that Corporate social responsibility is the only variable that has a positive and statistically significant effect on firm value, while Return on Assets does not have a significant impact on Tobin's Q in mining sector companies.

### 3.1.4 Coefficient of Determination (R<sup>2</sup>)

Table 3. Report the Coefficient of Determination of the Regression Model

Model Summary				
Model	R	RSquare	Adjusted R Square	Std.Error of the Estimate
1	.736	.542	.528	.232

Source: secondary data analyzed using SPSS version 27.0

The coefficient of determination presented (Table 3) shows a value of 0.542, indicating that 54.2 percent of the variation in firm value, as measured by Tobin's Q, is jointly explained by corporate social responsibility disclosure and return on assets. The remaining 45.8 percent of the variation is explained by other factors not included in the model. The adjusted coefficient of determination of 0.528 confirms that the regression model maintains strong explanatory power after accounting for the number of variables. In addition, the correlation coefficient of 0.736 indicates a strong relationship between corporate social responsibility disclosure, profitability, and firm value, supported by an acceptable level of prediction accuracy reflected in the standard error of the estimate.

### 3.1.5 Hypothesis Testing

Hypothesis testing is conducted to examine whether the proposed research hypotheses are supported by empirical evidence. In this study, hypothesis testing is carried out using both the simultaneous test or F test and the partial test or t test. The F test is used to analyze the joint effect of corporate social responsibility disclosure and return on assets on firm value, while the t test is employed to assess the partial effect of each independent variable.

**Simultaneous Test (F-Test)**

Table 4. Simultaneous Effect of Corporate social responsibility and Profitability on Firm Value (F-Test)

		Anova				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.007	2	2.003	37.284	<.001
	Residual	3.385	63	.054		
	Total	7.392	65			

Source: secondary data analyzed using SPSS version 27.0

The F test results presented (Table 4) show a calculated F value of 37.284 with a significance level below 0.001. This result indicates that corporate social responsibility disclosure and return on assets simultaneously have a significant effect on firm value. Therefore, the regression model is statistically valid and appropriate for explaining variations in Tobin's Q.

**Partial Test (T-Test)**

Table 5. Partial Effect of Corporate social responsibility and Profitability on Firm Value (T-Test)

		Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.453	.063		7.177	<.001
	LN_Corporate social responsibility	.663	.078	.728	8.535	<.001
	Return On Asset	.492	.514	.082	.959	.341

Source: secondary data analyzed using SPSS version 27.0

The t-test result (Table 5) indicate that corporate social responsibility disclosure has a positive and significant effect on firm value, with a regression coefficient of 0.663 and a significance level below 0.05. In contrast, return on assets exhibits a positive but statistically insignificant effect on firm value. These results suggest that corporate social responsibility is the only variable that significantly influences firm value, whereas profitability, as measured by return on assets, does not have a significant impact in this study. This implies that companies focusing on sustainable and socially responsible practices may enhance their market valuation more effectively than relying solely on financial performance. Furthermore, it highlights the growing importance of non-financial factors in investors' assessment of firm value in the contemporary business environment.

**3.2 Discussion**

This subsection discusses the empirical findings by relating the regression results to relevant theories and previous empirical studies. The discussion is structured according to each research hypothesis to provide a clear and systematic interpretation of the effects of corporate social responsibility disclosure and profitability on firm value in mining companies. In addition, the analysis explains how the empirical evidence supports or contradicts existing theoretical perspectives and highlights the implications of the findings for mining companies listed on the Indonesia Stock Exchange.

**3.2.1 Effect of Corporate social responsibility Disclosure on Firm Value**

The empirical findings indicate that the disclosure of corporate social responsibility has a positive and statistically significant effect on firm value [6], [45], [46]. This result demonstrates that corporate social responsibility disclosure should not be interpreted merely as a formal reporting obligation, but rather as a social practice through which companies seek to obtain and maintain legitimacy from stakeholders [4], [5], [7]. Through this process, firms are able to strengthen stakeholder trust and enhance market valuation.

In the mining sector, corporate activities are inherently associated with high environmental and social risks, including environmental degradation, social conflict, and regulatory pressure. These conditions expose mining companies to substantial legitimacy challenges. Therefore, the disclosure of corporate social responsibility becomes a critical mechanism for demonstrating alignment with societal norms, environmental expectations, and

stakeholder demands [5], [8]. Such disclosure also helps address stakeholder demands and strengthen corporate legitimacy.

From the perspective of legitimacy theory, corporate social responsibility disclosure functions as both a symbolic and substantive strategy that enables companies to address legitimacy gaps arising from negative social and environmental impacts [5]. Transparent and consistent disclosure allows stakeholders to perceive the company as a responsible social actor, which enhances public acceptance and institutional support. This positive perception is subsequently reflected in higher market valuation [4], [45].

In addition, corporate social responsibility disclosure can be explained through a social signaling perspective, in which non-financial information reduces information asymmetry between management and external stakeholders [30], [45]. High-quality disclosure signals ethical commitment, awareness of social and environmental risks, and a long-term sustainability orientation. Investors interpret these signals as indicators of the company's capability to manage social and environmental challenges effectively, thereby strengthening confidence in the company's future prospects [30].

These findings are consistent with previous empirical studies that report a positive relationship between corporate social responsibility disclosure and firm value, particularly in industries characterized by high levels of social and environmental exposure [47]. However, differences in findings across studies may be attributed to variations in industry context, research period, and the depth of corporate social responsibility practices. Companies that disclose corporate social responsibility solely for regulatory compliance, without integrating it into their strategic framework, may fail to generate positive market responses [45].

### 3.2.2 Effect of Profitability on Firm Value

The results indicate that profitability does not have a statistically significant effect on firm value. This finding suggests that profitability based on accounting measures is not the primary determinant of firm value in the mining sector. Firm value in this sector is likely influenced by other financial and non financial factors [36].

Mining companies operate in a capital-intensive industry with long investment horizons and volatile earnings. Profitability is highly sensitive to external factors such as global commodity price fluctuations, exchange rate movements, regulatory uncertainty, and high operational costs [48], [49]. These conditions make profitability indicators unstable and less reliable as a sole measure of firm performance. As a result, profitability measures may not adequately reflect long-term performance or future growth potential.

From a social-organizational perspective, the insignificance of profitability indicates that investors do not rely solely on short-term financial outcomes when assessing firm value. Instead, they consider broader aspects such as sustainability performance, institutional legitimacy, and the company's ability to manage social and environmental risks [4]. In this context, profitability is perceived as a temporary indicator rather than a comprehensive representation of organizational strength.

This finding aligns with several prior studies showing that profitability does not have a direct influence on firm value in high risk industries. In such industries, firm value is often shaped by factors beyond short term financial performance. However, contrasting results reported in other studies may be explained by differences in macroeconomic conditions across research settings. Variations in industry structures and investor behavior may also contribute to these differing findings [48], [49].

### 3.2.3 Simultaneous Effect of Corporate social responsibility Disclosure and Profitability on Firm Value

The results of the simultaneous test show that corporate social responsibility disclosure and profitability jointly have a positive and statistically significant effect on firm value. This finding indicates that firm value in the mining sector is influenced by the interaction between social performance and financial performance [6], [43]. Social responsibility activities enhance corporate legitimacy and stakeholder trust. Meanwhile, profitability reflects the firm's ability to generate sustainable financial returns.

Corporate social responsibility disclosure reflects a company's commitment to social and environmental responsibility, while profitability represents the company's ability to utilize resources efficiently [4], [48]. When these two dimensions operate together, they provide a strong and credible signal to stakeholders regarding both sustainability and financial soundness [30], [50]. From a theoretical standpoint, this result supports legitimacy theory and signaling theory. Corporate social responsibility disclosure secures social approval and organizational credibility, while profitability confirms the firm's capacity to sustain operations. Together, these signals enhance investor confidence and contribute to higher firm value [5], [45].

These findings are consistent with previous empirical studies that emphasize the complementary role of social and financial performance in determining firm value. Prior research documents that corporate social responsibility disclosure enhances firm value when accompanied by adequate financial performance, as profitability enables firms to sustain social and environmental initiatives and signals economic viability to investors [6], [12], [47]. Studies in high-risk and capital-intensive industries, including the mining sector, also indicate that the interaction between corporate social responsibility disclosure and profitability produces a stronger

market response than either factor in isolation, as investors tend to evaluate firms based on both sustainability commitment and financial capacity [30], [36], [43].

Therefore, corporate social responsibility disclosure and profitability function as complementary factors in shaping firm value. Corporate social responsibility practices help strengthen stakeholder trust and corporate legitimacy. At the same time, sound financial management supports sustainable business performance. Mining companies are encouraged to integrate social responsibility initiatives with strong financial strategies to enhance firm value in the long term [4].

From a practical perspective, these results imply that mining companies should not treat corporate social responsibility disclosure and profitability as separate or competing objectives. Instead, both dimensions should be integrated into corporate strategy to strengthen legitimacy and enhance stakeholder trust. Such integration is expected to support sustainable business performance and improve long term firm value. However, this study is subject to several limitations, including a relatively short observation period. In addition, the use of a general sustainability disclosure index may limit the ability to fully capture long term value creation and industry specific sustainability practices.

Additionally, firm value may be influenced by other financial and non financial factors not included in this model, such as corporate governance, environmental risk exposure, and macroeconomic conditions. The exclusion of these variables may limit the explanatory power of the model. Therefore, the findings of this study should be interpreted with caution. These limitations also provide opportunities for future research to extend and refine the analysis.

#### 4. CONCLUSION

This study aims to empirically examine the effect of corporate social responsibility disclosure and profitability on firm value in mining companies listed on the Indonesia Stock Exchange. The results indicate that corporate social responsibility disclosure has a positive and significant effect on firm value. This finding suggests that transparent disclosure of social and environmental activities enhances stakeholder trust and improves market perception. Such transparency is particularly important in the mining industry, which is characterized by high social and environmental risks.

In contrast, profitability does not have a significant partial effect on firm value, indicating that profit levels alone are insufficient to explain firm value in the capital-intensive mining sector. This suggests that firm value is influenced by various external and non-financial factors. However, when corporate social responsibility disclosure and profitability are examined simultaneously, both variables have a significant effect on firm value. This result confirms that firm value is shaped by the combined interaction of social performance and financial performance rather than by either factor individually.

Based on these limitations, future research is recommended to extend the observation period to obtain more comprehensive results. Future studies are also encouraged to apply industry specific sustainability disclosure measures, particularly in sectors with high social and environmental risks. In addition, incorporating additional financial variables may help explain variations in firm value more accurately. Furthermore, the inclusion of non financial variables is expected to provide a more holistic understanding of the determinants of firm value.

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