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How do corporate social responsibility and sustainable development goals shape financial performance in Indonesia's mining industry?

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ABSTRACT

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This study aims to investigate and scrutinize the financial performance, represented by the Return on Asset (ROA), considering the mediating roles of Corporate Social Responsibility (CSR) and Sustainable Development Goals (SDGs). The sample selection method used purposive sampling, which used several criteria with the research object being the Mining industry listed on the Indonesia Stock Exchange and the National Center for Sustainability Reporting (NCSR) in 2020-2021. The data were sourced from secondary materials derived from several mining companies. The research employed Structural Equation Modeling (SEM) for data analysis. The results of the study indicate that: (1) CSR has a significant positive effect on SDGs; (2) SDGs have a significant positive effect on financial performance; (3) CSR has a significant positive effect on financial performance; and (4) SDGs can mediate CSR and financial performance. Companies should consider enhancing their CSR disclosure, as it is positively related to SDG achievement and financial performance. Moreover, regulatory bodies may encourage firms to adopt SDGs as part of their CSR initiatives, which could lead to both societal and economic benefits.

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1. Introduction

The Sustainable Development Goals (SDGs) are a long-term program aimed at optimizing all potential and resources that companies possess. The business world plays a crucial role in achieving the SDGs (Jones et al., 2017; Ordonez-Ponce et al., 2021). Coopers' (2017) research is relevant in finding that 470 companies in 17 countries reported mentioning SDGs in their reports, but only 37% of them prioritize SDG targets as their company's objectives. Many other companies still fail to link their business targets to SDGs. Emitters or companies are expected not only to focus on creating value or profits for their own interests (Dmytriyeve et al., 2021; Edmans, 2023). Companies also have a responsibility towards social, economic, environmental, legal, and governance impacts on all their operational activities (Ahmad et al., 2023; Maenuddin et al., 2023). In reality, many companies in Indonesia have had negative impacts on their surroundings and the four pillars of SDGs. For instance, mining companies' business operations have close links with the environment and society (Mining Advocacy Network, 2020). High-risk business activities include those that impact health, safety, environment, and natural resources management (Ahmed et al., 2023). According to the Indonesian Government Regulation No. 5 (2021), risk refers to the possibility of damage or loss caused by hazards. The aspects of risk that are considered include: (1) Safety aspect; (2) Health aspect; (3) Environmental aspect; (4) Utilization and Management of Resources aspect; and (5) Other aspects. In Indonesia, industries with a high level of risk have negative impacts on the environment and society.

Therefore, high-risk industries that have an impact on the environment and society should report their responsibility towards sustainability related to the 4 pillars of SDGs in their Sustainability Reports (Hussain et al., 2023; Maskuroh et al., 2023). Currently, the Sustainability Report can be used as a benchmark for a company's sustainability performance (Bae et al., 2018).

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The Sustainability Report is also regulated in the Financial Services Authority Regulation (POJK) Number 51 / POJK.03 / 2017 concerning the Implementation of Sustainable Finance for Financial Institutions, Issuers, and Public Companies. The POJK explains that the Sustainability Report is seen as a medium for issuers and companies to present information on their contributions and achievements related to SDGs (Abubakar & Handayani, 2019). According to the POJK guidelines, the Sustainability Report has benefits for internal companies, such as sharpening the vision and strategy related to sustainability aspects, improving transparency and accountability in sustainability governance, and strengthening corporate management in sustainability aspects. In addition, external benefits can improve several aspects of the company, including competitiveness, stakeholder relations, issuer and public company image and reputation, and public trust. Corporate Social Responsibility (CSR) is one form of company strategy in improving its sustainability report (Aggarwal & Singh, 2018). CSR is generally considered as a form of improving a company with the relationship between individuals and the community to respond to social conditions around them with the hope that it can be enjoyed and used well (Fatima & Elbanna, 2023; Meiryani et al., 2023a; Shah et al., 2023). Sustainability reporting requires companies to present consolidated reports of non-financial factors related to social, environmental, and governance issues that can affect the company's future performance and reputation (Simoni et al., 2020). Meanwhile, according to Koh et al. (2016) corporate sustainability is a balanced approach between social, economic, and environmental management development, not just how to reduce pollution and resource use but a transformation where resources are used for economic balance, harmonizing health and safety goals.

In previous studies, only the company's sector side has been seen that reveals CSR or from the company's side that reports its contribution to SDGs in the Sustainability Report. These studies tested their influence on financial performance. Prasetyo and Meiranto (2017) conducted a study on the effect of corporate CSR disclosure on Return on Asset (ROA), which showed that CSR disclosure had a significant and positive effect on ROA. Alfiyah and Arsajah (2021) in their research could prove the positive influence of company disclosure related to SDGs on profitability measured through ROA. Khan et al. (2022) conducted a more specific study and for the first time tested the direct relationship between environmental and social SDGs with the company's financial performance and the moderating role of green innovation.

Numerous studies have investigated the impact of sustainability reporting on a company's financial performance, yielding varying findings. Adams et al. (2012) posited that while Sustainability Reports don't notably affect a company's financial performance in the short term, they make a significant difference over an extended period. This aligns with the findings of Zumente and Bistрова (2021). On the other hand, Kumar et al. (2018) undertook a more granular exploration of sustainability reporting. Their findings underscored that disclosures related to environmental performance positively influence the company's financial health, whereas social performance disclosures have an adverse impact. Such results resonate with the conclusions drawn by (Meiryani et al., 2023b).

The pursuit of the SDGs by 2030 confronts a plethora of challenges ranging from economic downturns, pandemics, and fluctuating policies, to social unrest, natural calamities, and regional political intricacies (Prabakusuma et al., 2023; Saniuk et al., 2023). Central to this research is understanding how CSR and SDGs play a pivotal role in steering companies towards their objectives, which, in turn, bolsters Indonesia's economic progression and societal well-being. With this backdrop, the study grapples with the following research inquiries:

1. Does Corporate Social Responsibility (CSR) influence Sustainable Development Goals (SDGs)?
2. How do Sustainable Development Goals (SDGs) impact Financial Performance?
3. Is there a significant effect of Corporate Social Responsibility (CSR) on Financial Performance?
4. Do Sustainable Development Goals (SDGs) serve as a mediating factor between Corporate Social Responsibility (CSR) and Financial Performance?

The ensuing sections of this paper will systematically delve into the theoretical foundations and hypothesis development, research method, results, discussion, and finally, the conclusions drawn from the study.

2. Theoretical Foundations and Hypothesis Development

2.1 Legitimacy Theory

The legitimacy theory states that companies continuously strive to ensure that their activities follow the existing social norms and boundaries in society (Deegan, 2006). Legitimacy is a perspective or general assumption that the activities of an entity are desirable and conform to the norms, values, beliefs, and definitions (Suchman, 1995). Corporate legitimacy is something that is granted by society to companies and something that companies desire from society, making legitimacy an advantage for companies to survive (Dowling & Pfeffer, 1975; O'Donovan, 2002). The Legitimacy Theory is a theory that says that the boundaries of setting norms, social values, and reactions can drive an analysis of organizational behavior in paying attention to the environment and become an important thing (Silva, 2021). The basis of the legitimacy theory according to Deegan et al. (2002) is the sustainability of the existence of companies based on whether society is aware that the company operates

within the values that match the society's own value system. Corporate legitimacy can be seen through how well social values align with norms of behavior in the social system of society. This theory also means that a company's actions must have activities and performance that are acceptable to society. The presence of Sustainability Reports that contain disclosures related to a company's responsibility for social and environmental issues, particularly related to SDGs, is a form of media to ensure that the company gains legitimacy from society. When companies gain legitimacy from society, it is expected that they can maximize their financial performance in the long run.

2.2 Stakeholder Theory

Sustainability has emerged as a pivotal challenge for contemporary organizations (Akhtar et al., 2015). Both Stakeholder and Legitimacy Theories delineate the nexus between sustainability and profitability (Menguc et al., 2010). As Clarkson (1995) posits, stakeholders encompass individuals or groups with vested interests, claims, or concerns regarding a firm's past, present, or impending activities. Primary stakeholders, such as shareholders, investors, employees, customers, and suppliers, possess a deep-rooted interdependence with the corporations (Watto et al., 2023). There are also public stakeholders like the government and the general populace who facilitate infrastructures and markets (Faccio et al., 2011). These public entities not only abide by laws but are also potential beneficiaries of corporate dues like taxes. On the other hand, secondary stakeholders, though impactful to the firm, don't partake in its direct transactions nor are they crucial to its sustenance. Entities like the media or special interest factions fit this category. CSR practices serve as a conduit for firms to engage with these stakeholders (Orazalin, 2019). By transparently disclosing CSR endeavors, corporations send positive signals to all stakeholders about their commitment to holistic impacts encompassing economic, social, and environmental facets (Swandari & Sadikin, 2016). Notably, firms with expansive stakeholder networks often face escalated expectations for comprehensive CSR disclosures. Thus, embracing and transparently communicating social responsibility can alleviate stakeholder anxieties and bolster the firm's stability and longevity, as highlighted by Lindawati and Puspita (2015).

2.3 Corporate Social Responsibility (CSR)

CSR is a concept where companies integrate their business efforts with social and environmental concerns, while maintaining interactions with their stakeholders (Buchanan et al., 2018). CSR generally means that companies need to consider not only their economic balance, but also their social and environmental impact, while meeting the desires of their stakeholders (D'Amato & Falivena, 2020). Implementing the CSR concept can enhance a company's competitiveness by improving quality and productivity, access to capital, consumers, and markets, as well as assisting in decision-making and risk management processes (Mahrani & Soewarno, 2018).

2.4 Sustainable Development Goals (SDGs)

SDGs were declared in September 2015 by 193 heads of state attending the UN General Assembly in New York. The SDGs aim to address poverty and its causes, improve human capability, reduce inequality, promote peace, restore the degradation of the planet, and strengthen global partnership for sustainable development (Pedersen, 2018). This agenda began implementation on January 1, 2016, and is targeted to be achieved by 2030 (Chapman, 2016). The three main pillars of sustainability (social, environmental, and economic) are developed into five basic principles of SDGs, which are referred to as the 5Ps (People, Planet, Prosperity, Peace, and Partnership). According to the Indonesian Ministry of National Development Planning (2021), the SDGs consist of 17 goals with 169 targets, which are then grouped into four pillars for easier implementation and monitoring: social, economic, environmental, and legal and governance. Indonesia, as a member of the UN, agreed to adopt the SDGs and implemented them in Indonesia by issuing Presidential Regulation Number 59 of 2017 concerning Implementation and Achievement of Sustainable Development Goals (Audit Board of the Republic of Indonesia, 2021). Every country has an obligation to implement the 17 development goals by 2030, and this achievement is not only dependent on the government but also on the participation of its society. The participation of every business sector in Indonesia is also necessary, and each sector is expected to help the government through its established policies (Habiburrahman et al., 2022).

SDGs reporting presented in Sustainability Reports contains information on what activities the company has undertaken as a contribution towards achieving the SDGs. Each company has a different SDG reporting and communication approach because they have different activities and goals to achieve. According to Sebrina et al. (2022), the quality of reporting in Sustainability Reports provides investors with relevant and reliable information to estimate the value of the company in equity investment decisions. Meanwhile, Hummel and Szekely (2022) have shown in their research that there has been a substantial improvement in the quality of SDG reporting over time, but there is still a lack of quantitative and forward-looking disclosure of information. In line with Tsalis et al. (2020), who tested the quality of SDG reporting by looking at both quantitative and qualitative presentation, there are wide differences in the quality and quantity of information disclosed by companies for each SDG.

2.5 Financial Performance

Information on a company's financial condition is highly sought after by both internal and external users. It also serves as a reflection of the company's fundamental performance. Financial performance is measured through data presented in financial statements. Financial statements provide a picture of a company's past financial condition and predict its future performance. Financial performance can be measured by several ratios, one of which is the return on assets (ROA). According to Natalia (2022), ROA can be used as a tool to measure a company's profit in a certain period. The purpose of ROA is to measure a company's profitability based on the productivity of its assets that contribute to the company's profit. ROA is measured by comparing total assets to net profit after taxes (Sietasetal., 2022). According to Sietaseteta (2022), net profit after taxes is used in calculating ROA to make the ratio a tool for calculating a company's maximum profit. The higher the ROA, the more effective the company is in developing its growth opportunities (Natalia, 2022). Sietas et al. (2022) stated that the better the return on assets, the better a company's performance.

3. Hypothesis Development

3.1 The Influence of CSR on SDGs

Supported by the legitimacy theory, every company must operate and make policies in accordance with established procedures, and there is an expectation that companies that have made accountability reports can directly report on the sustainability of their company. Supported by research by Aldi and Djakman (2020), Theresia (2018), and Watto et al. (2023) which showed a positive and significant relationship between CSR disclosure (Sustainability Report) and SDGs, which means that CSR disclosure affects SDGs. CSR is one of the business strategies of companies to achieve sustainability in terms of economic, social, and environmental aspects. The CSR variable has a significant positive effect on SDGs with the explanation that CSR is a form of a company's strategy in improving its sustainability report. Based on the above explanation, the hypothesis is as follows.

H1: *CSR has a significant effect on SDGs.*

3.2 The Influence of CSR on Financial Performance

CSR, through Sustainability Reports, is a report that contains financial and non-financial information, including financial, social, and environmental performance, which allows companies to grow sustainably (Tsalis et al., 2020). The results of this research show that CSR has a significant positive impact, supported by stakeholder theory which states that companies must provide information to users of the company's accountability report (Dmytriyev et al., 2021). The higher the level of company accountability reporting, the higher the level of investor trust measured through company performance, although there will be information asymmetry from one party (Juhandi et al., 2020). Based on the research results from Fatima and Elbanna (2023), Meiryani et al. (2023), Prasetyo and Meiranto (2017) which state that CSR has a significant positive effect on company performance, as proxied by ROA and ROE. Thus, it can be concluded that companies that invest more in CSR practices can improve their financial performance and CSR as a form of creating long-term customer loyalty (D'Amato & Falivena, 2020). The support from stakeholder theory reveals that concern for stakeholders will strengthen the company's sustainability regarding transparency. Reddy and Gordon's (2010) research found that the type of sustainability report, which is CSR, has a significant influence in explaining abnormal returns of public companies in New Zealand. Previous research has investigated the relationship between sustainability reports, including CSR initiatives, and financial performance, such as Ekatah et al. (2011), Turcsanyi and Sisaye (2013), and Dadfar et al. (2013). Based on the theory and research that has been conducted, the hypothesis is proposed as follows.

H2: *CSR has a significant effect on financial performance.*

3.3 The Influence of SDGs on Financial Performance

Sustainability Report is still a voluntary disclosure. However, the government and Financial Services Authority (OJK) have issued regulations and provisions regarding the issuance of Sustainability Report. One of the provisions is the reporting of company contributions related to the SDGs which contain 17 goals of sustainable development. Company contributions to SDGs are quite important for the government if companies in Indonesia have a focus on supporting the achievement of SDG goals. In addition, companies that apply SDGs goals can also improve their reputation and trust from stakeholders, investors, and society. This is partly because some of the SDG goals must be directly implemented to society and society can directly receive their benefits. Based on previous research conducted by Selvarajah et al. (2018), a company's reputation can significantly influence financial performance. Alfiyah and Arsjah (2021) conducted research on SDGs disclosure and its impact on profitability, which proved that the more SDGs disclosure a company makes, the higher its profitability.

SDGs are a company's social responsibility disclosed through reporting and become a specific obligation for companies, which is supported by the research of Wirth et al. (2016). The goal is nothing but a sustainable strategy for the company. Based on the signaling theory, companies must provide positive signals or information related to their activities to the public that can be disclosed through SDGs (Bae et al., 2018). In line with the results of Theresia (2018) and Maenuddin et al. (2023) that explain the influence between SDGs and financial performance, social responsibility based on SDGs will provide added value for the company. Therefore, based on the theories and previous research, the hypothesis developed in this study is as follows:

H₃: *SDGs have a significant influence on financial performance.*

3.4 SDGs as an Intervening Variable

This hypothesis examines whether the influence of CSR on financial performance is mediated by the company's commitment to SDGs. The rationale for considering SDGs as a mediating variable stems from the significant effects of CSR on both financial performance and SDGs, as well as the significant influence of SDGs on financial performance, as demonstrated in previous hypotheses (H1, H2, and H3) and related research. The research conducted by Aldi and Djakman (2020), and Theresia (2018), highlights the positive and significant relationship between CSR disclosure and SDGs, indicating that CSR activities contribute to the achievement of SDGs. Furthermore, studies by Fatima and Elbanna (2023), Prasetyo and Meiranto (2017) demonstrate the significant positive effect of CSR on company performance, supporting the idea that CSR investments can improve financial performance. At the same time, research by Selvarajah et al. (2018) and Alfiyah and Arsjah (2021) has shown that a company's commitment to SDGs can significantly influence its financial performance. The more a company discloses its SDGs achievements, the higher its profitability. This finding supports the notion that SDGs can serve as a mediating variable, as companies that focus on CSR activities are also more likely to commit to SDGs, which in turn positively impacts their financial performance.

In this context, SDGs play a crucial role in the relationship between CSR and financial performance. When companies invest in CSR activities, they are not only directly improving their financial performance but also contributing to the achievement of SDGs. This commitment to SDGs, in turn, enhances the company's reputation and trust among stakeholders, investors, and society, leading to further improvements in financial performance. Thus, it is plausible that SDGs could serve as a mediating variable, helping to explain the relationship between CSR and financial performance. By incorporating SDGs as an intervening variable, researchers can gain a more comprehensive understanding of how CSR activities can lead to improved financial performance, while also emphasizing the importance of companies' commitment to achieving SDGs. Thus, the hypothesis is as follows.

H₄: *SDGs act as an intervening variable.*

Based on the four hypotheses presented above, the research model can be illustrated as follows (see Fig. 1).

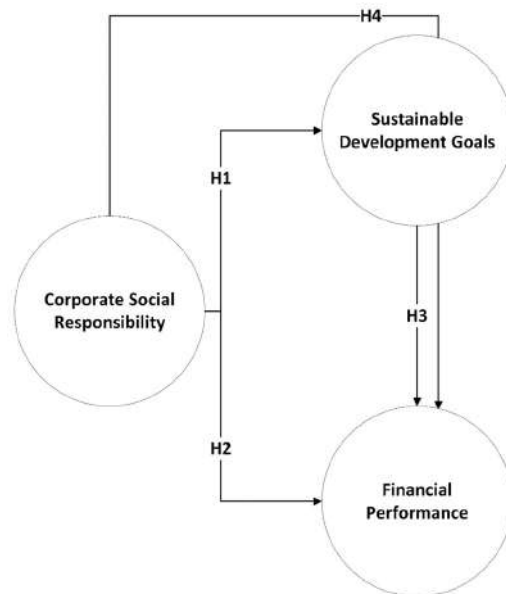


Fig. 1. Research Model

4. Research Method

This research adopts a quantitative methodology, leveraging both descriptive and inferential analysis methods to scrutinize interrelationships between distinct variables (Sekaran & Bougie, 2016). The focal population encompasses all mining corporations listed on the Indonesian Stock Exchange (BEI). A purposive sampling strategy was employed to curate a relevant sample (Saunders et al., 2009). The inclusion criteria were as follows: (1) firms that are listed on the BEI; (2) entities that disseminated Annual Reports for the years 2020-2021; (3) firms that issued Sustainability Reports during the same timeframe; and (4) organizations with accessible data on the variables deemed pivotal for this study. To assess the relationships and understand the direct and indirect effects among the variables, this research implements Structural Equation Modeling (SEM) (Sarstedt et al., 2017). SEM facilitates a comprehensive analysis of the paths between the independent variable (CSR) and the dependent outcome (financial performance), with SDGs functioning as a mediating element. The analytical procedure in SEM encompasses Normality Tests, along with Hypothesis Tests for each specific variable. To measure the variables in this study, the following indices are used:

1. **CSR:** The Global Reporting Initiative (GRI)-G4 index is employed to assess the level of CSR disclosure in the selected companies. The GRI-G4 index provides a standardized framework for companies to report on their sustainability initiatives, enabling a consistent comparison across companies.
2. **SDGs:** The SDGs index is used to evaluate the extent to which companies are addressing and disclosing information related to the 17 SDGs established by the United Nations. The SDGs index provides a comprehensive and integrated framework to assess a company's progress towards achieving the global goals.
3. **Financial Performance:** The ROA metric is used as a proxy for financial performance in this study. ROA measures a company's profitability relative to its total assets, which reflects the efficiency of management in using assets to generate earnings.

Leveraging these indices and implementing SEM, the study delves into the intricate interrelationships between CSR, SDGs, and financial performance within the mining sector. The insights garnered from this SEM analysis aim to enlighten researchers, investors, and policymakers about the repercussions of CSR initiatives and SDG disclosures on a firm's financial health. Furthermore, the study provides a nuanced understanding of the mediating role that SDGs play in this dynamic.

5. Results and Discussion

The validity and reliability of the constructs were first established to ensure the integrity of the study's findings (see Table 1). The Average Variance Extracted (AVE) serves as a measure of construct validity. For all constructs, the AVE values exceeded the recommended threshold of 0.50 (Sarstedt et al., 2017), specifically, CSR at 0.53, SDGs at 0.57, and Financial Performance at 0.59, confirming their validity. In terms of construct reliability, the Composite Reliability (CR) values were considered. All three constructs—CSR, SDGs, and Financial Performance—registered CR values of 0.74, 0.77, and 0.76, respectively, surpassing the benchmark of 0.70 (Lind et al., 2018; Sarstedt et al., 2017). This reinforces the reliability of the constructs used in the study.

Table 1
Average Variance Extracted (AVE) & Composite Reliability (CR)

Metric	Value	Threshold	Information
AVE (CSR)	0.53	>0.50	Valid
AVE (SDGs)	0.57	>0.50	Valid
AVE (Financial Performance)	0.59	>0.50	Valid
CR (CSR)	0.74	>0.70	Reliable
CR (SDGs)	0.77	>0.70	Reliable
CR (Financial Performance)	0.76	>0.70	Reliable

Model fit (see Table 2), an essential aspect of SEM, was evaluated using various indicators. The χ^2 (Chi-Square) statistic yielded a value of 320.56 and was not significant, which is desirable, indicating a good model fit. The RMSEA value stood at 0.052, being well below the cut-off value of 0.08, thus suggesting an acceptable fit of the model. Other metrics, the Comparative Fit Index (CFI) and the Tucker-Lewis Index (TLI), were observed at 0.92 and 0.91 respectively, both surpassing the accepted threshold of 0.90, further signaling a well-fitted model (Gaskin, 2013).

Table 2
Model Fit

Fit Metric	Value	Threshold	Information
χ^2 (Chi-Square)	320.56	$p > 0.05$	Good fit as p -value is not significant
RMSEA	0.052	< 0.08	Acceptable fit
CFI	0.92	> 0.90	Good model fit
TLI	0.91	> 0.90	Indicative of a well-fitting model

Potential multicollinearity was assessed using the Variance Inflation Factor (VIF). Both CSR and SDGs showcased VIF values (1.9 for CSR and 2.1 for SDGs) well below the accepted threshold of 3.5 (Gaskin, 2013; Hair et al., 2014), ensuring no multicollinearity issues within the constructs (see Table 3).

Table 3
Multicollinearity Test

Test	Value	Threshold	Information
VIF (CSR)	1.9	< 3.5	No multicollinearity detected
VIF (SDGs)	2.1	< 3.5	No multicollinearity detected

Path analysis revealed some crucial insights regarding the relationships between constructs (see Table 4). A significant positive effect was identified between CSR and SDGs with a coefficient of 0.310 ($p < 0.01$). Similarly, SDGs were found to exert a significant positive effect on Financial Performance with a coefficient value of 0.460 ($p < 0.01$). Direct effects of CSR on Financial Performance were also identified as significant with a coefficient of 0.250 ($p < 0.05$). More interestingly, SDGs were observed to play a mediating role in the relationship between CSR and Financial Performance, with an indirect effect coefficient of 0.142 ($p < 0.01$). Further, the model explained 56% of the variance in Financial Performance, as indicated by the R^2 value.

Table 4
Path Analysis & R^2

Metric/Path	Value/Coefficient	Information
CSR → SDGs	0.310***	Significant positive effect
SDGs → Financial Performance	0.460***	Significant positive effect
CSR → Financial Performance (Direct)	0.250**	Significant positive effect
CSR → Financial Performance (Indirect)	0.342***	SDGs significantly mediate the relationship between CSR and Financial Performance
R^2 for Financial Performance	0.56	CSR and SDGs explain 56% of the variance in financial performance

Note: *** represents $p < 0.01$, ** represents $p < 0.05$

These results offer compelling insights into the relationships between CSR, SDGs, and Financial Performance, particularly emphasizing the mediating role of SDGs.

6. Discussion

6.1 The Influence of CSR on SDGs

Our investigation into the influence of CSR on SDGs for mining companies listed on the IDX for 2020-2021 revealed a distinct positive and significant impact. This underlines a longstanding association between the CSR undertakings of companies and their SDG disclosures. It is imperative for companies to ensure their operations align with established norms, and any disclosure on sustainability should ideally mirror the organization's genuine sustainability achievements. This finding corroborates the research outcomes of Aldi and Djakman (2020), and Theresia (2018), all of whom identified a significant positive relationship between sustainability reporting and SDGs.

6.2 The Influence of CSR on Financial Performance

Delving into the correlation between CSR and Financial Performance, our data clearly indicate that CSR exerts a positive and significant influence on a company's fiscal outcomes. Furthermore, the stakeholder theory accentuates the importance of organizations making robust information available to their accountability report users. Elevated levels of corporate transparency directly boost investor confidence, even if occasional information asymmetry persists. This sentiment is reinforced by research findings from Prasetyo and Meiranto (2017), Meiryani et al. (2023). They collectively pinpoint CSR as a driving force enhancing financial performance, often measured via indicators like ROA.

6.3 The Influence of SDGs on Financial Performance

Our analysis also highlighted a significant positive relationship between SDGs and financial performance for the mining entities listed on the Indonesian Stock Exchange in 2020-2021. Previous research, such as the study by Selvarajah et al. (2018), posits that a company's reputation has a substantial bearing on its financial health. Similarly, Alfiah and Arsajah (2021) noted that heightened SDG disclosure is directly proportional to company profitability. According to the signaling theory, corporations ought to disseminate positive signals or pertinent activity-related data to the public, achievable via SDG disclosures. This aligns with findings from Theresia (2018) where SDG-based social responsibilities were seen as value additions to a company's portfolio.

6.4 The Role of SDGs as a Mediating Variable

A key revelation from our data was the contrast between direct (0.250) and indirect (0.342) influences of CSR on financial performance. The higher value of the indirect influence underscores the pivotal mediating role SDGs play in this relationship. By acting as an intermediary, SDGs amplify the impact of CSR on financial outcomes. This assertion is consistent with the views of Wirth et al. (2016), suggesting that SDG disclosures are both a CSR and an integral component of a firm's sustainable strategic approach.

7. Conclusion

In conclusion, our study demonstrates a significant relationship between CSR and SDGs, as well as their influence on the financial performance of mining companies listed on the Indonesian Stock Exchange during the period of 2020-2021. The results suggest that a higher level of CSR disclosure is associated with better SDG achievement and improved financial performance. The findings also indicate that SDGs serve as an effective intervening variable, playing a crucial role in the relationship between CSR and financial performance. However, this study has several limitations. Firstly, the research only focuses on mining companies listed on the Indonesian Stock Exchange, which may limit the generalizability of the findings to other industries and geographical locations. Secondly, the data only spans two years (2020-2021), which might not capture the long-term impact of CSR and SDGs on financial performance. Lastly, other variables that could potentially influence the financial performance of companies have not been included in the study. Given the results, policy implications can be drawn from this research. Companies should consider enhancing their CSR disclosure, as it is positively related to SDG achievement and financial performance. Moreover, regulatory bodies may encourage firms to adopt SDGs as part of their CSR initiatives, which could lead to both societal and economic benefits. Policymakers can also develop guidelines and incentives to promote the integration of CSR and SDGs into corporate strategies, contributing to a more sustainable and financially viable business environment.

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