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The Effect of Corporate Social Responsibility on Firm Value: Does the Independent Commissioner Matter?

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Abstract: The purpose of this study is to analyze the effect of Corporate Social Responsibility disclosure on firm value and the moderating role of Independent Commissioners in energy sector companies listed on the Indonesia Stock Exchange for the 2023–2025 period. The increasing demand for business sustainability encourages companies, particularly in the mining sector, to demonstrate their social and environmental accountability. This study uses a quantitative method with moderated regression analysis using Eviews 12 software, with a sample of 91 companies selected through purposive sampling. Firm value is measured using Tobin's Q, Corporate Social Responsibility disclosure is measured using the GRI Standards index, and Independent Commissioners are measured based on their proportion of the total board of commissioners. The results show that CSR has a negative and significant effect on firm value indicating that investors in the mining sector tend to view Corporate Social Responsibility expenditures as a cost burden. In addition, Independent Commissioners are not proven to moderate the relationship between Corporate Social Responsibility and firm value reflecting that the existence of independent commissioners is still formal and ineffective as a monitoring mechanism.

Keywords: Firm Value, Independen Commissioners, Corporate Social Responsibility.

INTRODUCTION

The rise of sustainability issues on a global scale has shifted the focus of business from merely pursuing profits to creating sustainable value. A company's value reflects management's success in creating prosperity for shareholders. This value is generally reflected in stock prices, which represent investors' assessment of the company's prospects and stability in the future Susanti et al.(2025). Companies are now required to demonstrate accountability not only in economic aspects but also in social and environmental dimensions. These demands are particularly significant in the mining industry, where operational activities have direct consequences for ecosystems and surrounding communities. Risks of environmental degradation, social conflicts, and regulatory pressures place this sector under the scrutiny of the public and investors (Susanti and Handayani 2022).

In Indonesia, demands for more responsible business practices continue to grow. The mining sector is one that has received significant attention because its operations have a considerable impact on the environment and the lives of surrounding communities. According to data from the Ministry of Energy and Mineral Resources ESDM (2026) the mining sector contributes approximately 10.5% to the national Gross Domestic Product. However, the exploitation of natural resources in this sector often leads to various problems, such as deforestation, water pollution, and social conflicts with local communities. Therefore, the implementation of Corporate Social Responsibility (CSR) in the mining sector is crucial not only as a form of corporate moral responsibility but also as an effort to maintain public trust and legitimacy Sulbahri (2021).

Corporate Social Responsibility (CSR) is understood as a strategic mechanism for maintaining legitimacy and building harmonious relationships with stakeholders Cahyaningrum et al. (2022). CSR disclosure serves as a signal of a company's commitment to responsible business practices by Kristin and Anik (2025). In Indonesia, the obligation to implement CSR is regulated under Law No. 40 of 2007, particularly for companies that utilize natural resources. Nevertheless, the question of the extent to which CSR can create corporate value remains a subject of empirical debate.

Previous research has found that CSR practices and disclosures positively contribute to an increase in firm value typically measured using Tobin's Q by enhancing reputation, transparency, and investor confidence Ahmad and Angraini (2025); Firdauzi, Wijayanto, and Ngatno (2024); Susanti and Handayani (2022). However, other studies show different results, in which CSR does not always affect firm value and is viewed as an additional cost burden Putri and Zulfikar (2026; Ine, Siti, and Evi (2025);Wahyuni (2024);Shafina and Anwar (2021). The inconsistency of these findings indicates that the relationship between CSR and firm value is not linear but is influenced by the firm's internal conditions and mechanisms.

Jensen and Meckling (1976), proposed agency theory to explain how corporate governance operates. Agency conflict stems from a divergence of objectives between shareholders who are focused on maximizing corporate value and financial performance and management, which tends to pursue personal interests such as increased compensation or individual reputation. This phenomenon is often reflected in a shift in the priorities of corporate resource allocation, where management prioritizes opportunistic Corporate Social Responsibility (CSR) initiatives to build personal image over strategic programs capable of optimizing value for shareholders Fadah et al. (2023). Therefore, the urgency to analyze the role of corporate governance as a moderating variable in the relationship between CSR disclosure and financial performance becomes crucial.

In a two-tier board system, such as the one implemented in Indonesia, independent commissioners exercise vital oversight. This independent function serves as a control mechanism to align CSR implementation and reporting with the corporation's long-term vision Putra (2024). Through objective monitoring, independent commissioners not only mitigate information asymmetry by ensuring the accuracy, completeness, and credibility of CSR disclosures but also curb management misconduct that exploits social agendas for personal gain, thereby strengthening overall managerial accountability. With strong governance, CSR disclosures become more credible, potentially enhancing positive market perceptions Cahya et al. (2022). However, empirical evidence regarding the ability of independent commissioners to moderate the relationship between CSR and firm value still yields mixed results.

Spence (1973) signaling theory explains that companies send signals to investors regarding the condition of their management and its accountability. This theory also describes how companies convey both financial and non-financial information to demonstrate their efforts to maximize returns for shareholders. High-quality companies intentionally send positive signals to the market so that investors can distinguish between good and bad companies. One such signal is the disclosure of CSR in annual reports Mas'ud et al (2023). This enhances corporate value while sending a signal to stakeholders that the company has a promising and sustainable future (Lina et al., 2025).

Given the mining industry's high environmental risk and the inconsistencies in previous research findings, this study aims to re-examine the impact of CSR on firm value and analyze the moderating role of Independent Commissioners in mining companies listed on the Indonesia Stock Exchange during the 2023–2025 period. This research is expected to contribute to clarifying the mechanism by which the integration of sustainability practices and corporate governance can create value in the capital market, particularly in the context of developing countries. More specifically, the hypotheses of this study are:

H1: CSR disclosure has a effect on firm value.

H2: Independent Commissioners play a moderating role in firm value

METHOD

This study employs a quantitative method that utilizes data analyzed statistically. The purpose of this method is to demonstrate relationships between variables, test theories, and draw conclusions regarding predictive value. By formulating the research problem, the research hypotheses can be addressed and formulated.The population in this study consists of companies operating in the energy sector listed on the Indonesia Stock Exchange (IDX) for the period 2023–2025, totaling 91 companies, which have published annual reports and sustainability reports.

The method applied for sample selection in this study is purposive sampling, which involves data collection based on specific conditions and criteria; therefore, the considerations for sample selection are as follows: (1) Companies operating in the energy sub-sector listed on the IDX for the 2023 to 2025 period, (2) Companies that have published annual reports and sustainability reports during the 2023 to 2025 period. Data analysis was conducted using moderated regression analysis (MRA) with the assistance of Eviews version 12 software and secondary data obtained from official sources, namely the Indonesia Stock Exchange website https://www.idx.co.id/id and the respective companies' websites.

Table 1.Operational Definitions and Measurement of Research Variables

No	Variable	Variable Definition	Measurement
1	Firm Value	A proxy for a company's market value that reflects how investors assess the company's overall performance and future prospects based on a combination of the market value of its equity and the book value of its debt (E. Susanti et al. 2025)	Tobin's Q =(Total Market Value+Total book value of Liabilities)/(Total Book Value of Assets)
2	Corporate Social Responsibility	The level of disclosure regarding social, environmental, and corporate governance activities, whether voluntary or mandatory, in annual or sustainability reports (Cahyaningrum, Titisari, and Astungkara 2022)	CSI = (Number of published items) / (Total number of GRI Standards indicators)
3	Independent Commissioners	The proportion of outside members of the board of commissioners who meet the independence criteria (non-	Independent Commissioners = (Number of Independent Commissioners) / (Total Number of Commissioners)

	affiliated) (Azizah, Azhari, and Robain 2025)	

RESULTS AND DISCUSSION

Table 2. F-Statistic Test

Root MSE	2.084266	R-squared	0.526552
Mean dependent var	1.529444	Adjusted R-squared	0.288411
S.D. dependent var	3.035152	S.E. of regression	2.560325
Akaike info criterion	4.981313	Sum squared resid	1094.729
Schwarz criterion	6.171795	Log likelihood	-542.6455
Hannan-Quinn criter.	5.460339	F-statistic	2.211091
Durbin-Watson stat	2.261863	Prob(F-statistic)	0.000007

Source: Eviews 12 output processed by the author, 2026

Based on Table 2, the results of the simultaneous test (F-test) show that the F-statistic is 0.000000, which is smaller than the significance level of 0.000007. This means that H1 is accepted, and it can be concluded that Corporate Social Responsibility has a simultaneous effect on firm value. Thus, it can be concluded that the model is valid for use in this research.

Table 3. T-Statistic Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.72139	5.841440	1.835402	0.0682
X1	-14.54579	4.293613	-3.387773	0.0009
Z	0.193623	14.69241	0.013178	0.9895

Source: Eviews 12 output processed by the author, 2026

Based on the partial tests (t-tests) in Table 3 above, it is found that the calculated t-values and significance values obtained for each variable, with the critical t-value taken from the degrees of freedom (df = n-k = 252 - 3 = 249) at a significance level of $\alpha = 0.05$, is 1.96954. The calculated t-value of -3.387773 is smaller than the critical t-value, and the p-value is smaller than 0.05, specifically 0.0009 (0.0009 < 0.05). Therefore, CSR has a significant negative effect on firm value.

Table 4 Results of the Moderation Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	28.39298	20.08518	1.413628	0.1594
X1	-41.10278	29.19591	-1.407827	0.1611
Z	-51.03865	57.61675	-0.885830	0.3770
X1Z	76.15907	82.81566	0.919622	0.3591

Source: Eviews 12 output processed by the author, 2026

Based on the results of the moderated regression analysis presented in Table 3, the probability value (t-statistic) is greater than the significance level (0.3770 > 0.05). Based on these results, it can be concluded that independent commissioners do not moderate the effect of CSR on firm value.

The empirical results demonstrating that Corporate Social Responsibility (CSR) has a negative and significant effect on firm value (beta = -14.545, p < 0.01$) provide a compelling ground for theoretical debate. This finding directly challenges the conventional framework of **signaling theory** originally conceptualized by Spence (1973). In a broader market environment, signaling theory posits that high-quality firms intentionally send positive signals both financial and non-financial to reduce information asymmetry and allow investors to distinguish sustainable firms from poorly managed ones (Mas'ud et al. 2023). Under this perspective, voluntary CSR disclosure is expected to serve as a strategic signal that projects a promising, stable, and sustainable future, which ultimately enhances stock prices and long-term shareholder prosperity (Lina et al., 2025; E. Susanti et al., 2025). However, our empirical evidence reveals that in the Indonesian capital market, this signaling mechanism fails to operate as predicted.

Instead, this negative relationship heavily reinforces the cost perspective embedded within **agency theory**, Jensen and Meckling (1976). Agency theory highlights that conflict arises from a fundamental divergence of objectives between shareholders, who seek to maximize corporate value, and managers, who may exploit corporate resources for personal reputation or opportunistic image-building (Fadah et al., 2023). In the context of the Indonesian mining sector, investors appear to interpret extensive CSR expenditures not as a value-generating strategic signal, but as a severe agency cost. Because mining operations are inherently exposed to high risks of environmental degradation, deforestation, water pollution, and intense local social conflicts (Susanti and Handayani, 2022), investors view high CSR disclosures as a defensive and high-cost cash outflow. The market perceives that management is prioritizing resource allocation toward social agendas to build personal managerial shields against public scrutiny, rather than allocating capital toward operational efficiency that yields direct financial returns for shareholders.

This market skepticism is further vindicated by the institutional and regulatory landscape unique to Indonesia. While the mining sector contributes significantly to the national economy accounting for approximately 10.5% of the national Gross Domestic Product according to the Ministry of Energy and Mineral Resources (ESDM, 2026) its massive environmental footprint subjects it to intense regulatory pressure. Under Law No. 40 of 2007, CSR implementation is a mandatory statutory obligation for companies utilizing natural resources, rather than a voluntary, proactive initiative to build competitive advantage. Consequently, the capital market discounts high-level CSR reporting as mere institutional compliance to maintain basic legitimacy and public trust (Sulbahri, 2021; Cahyaningrum et al.,2022). Rather than interpreting CSR as a premium signal of superior corporate prospects (Kristin and Anik 2025) investors view it as a mandatory operational tax that compromises short-term profitability. This finding aligns with the body of literature asserting that CSR acts as an additional cost burden that depresses market value (Shafina and Anwar 2021; Wahyuni 2024;Ine et al., 2025; Putri and Zulfikar, 2026), while sharply contrasting with studies that report a positive linear contribution of CSR to Tobin’s Q (Susanti and Handayani 2022; Firdauzi et al., 2024; Ahmad and Anggraini, 2025).

The statistical rejection of H2, which confirms that Independent Commissioners cannot moderate the effect of CSR on firm value, exposes a critical structural vulnerability in the Indonesian corporate governance framework. According to agency theory, in a two-tier board system, independent commissioners are designated as the apex internal oversight mechanism to resolve agency conflicts and protect shareholder wealth (Jensen and Meckling, 1976; Putra 2024). Theoretically, robust monitoring by independent boards should curb managerial misconduct, mitigate information asymmetry, and ensure that CSR initiatives are aligned with the firm's strategic, long-term economic objectives (Putra, 2024). By certifying the credibility and accuracy of sustainability reports, strong independent oversight should theoretically transform CSR from an ambiguous expense into a credible, positive market signal (Cahya et al., 2022).

However, our findings reveal that the presence of independent commissioners fails to alter or alleviate the negative market reaction toward CSR. This failure points directly toward the deep-rooted issue of "tokenistic" or formalistic governance within Indonesian public firms. As documented by Cahyaningrum et al. (2022), the appointment of independent commissioners is frequently reduced to a superficial checkbox exercise designed solely to satisfy the administrative mandates of the Indonesia Financial Services Authority (OJK) rather than to establish an authentic, rigorous oversight structure.

Furthermore, evaluating this governance mechanism purely through quantitative metrics such as the structural ratio of independent seats on the board completely fails to capture qualitative operational realities. As noted by Azizah et al., (2025), quantitative proportions do not account for critical indicators of actual governance quality, such as the commissioners' professional competence, industry-specific technical expertise in mining, or their active engagement and authority during board meetings. Because these boards operate primarily as a regulatory compliance facade, they lack the strategic influence required to optimize CSR spending, prevent opportunistic managerial resource allocation, or signal to the market that corporate social spending is being governed efficiently.

CONCLUSION

This study concludes that Corporate Social Responsibility (CSR) disclosures within the Indonesian energy and mining sector exert a significant negative effect on firm value, demonstrating that the capital market predominantly perceives mandated sustainability outlays as financial burdens that compromise short-term profitability rather than as value-enhancing signals. Furthermore, the empirical evidence reveals that independent commissioners fail to moderate this relationship, confirming that the presence of independent boards in this sector remains largely a formalistic checkbox exercise to satisfy regulatory mandates rather than a substantive monitoring mechanism. These findings contribute significantly to the existing literature by exposing a theoretical paradox where conventional signaling frameworks invert in emerging markets with mandatory sustainability laws, while practically advising corporate executives to strategically balance compliance with financial productivity and urging regulatory bodies like the OJK to shift their evaluation focus from structural board quotas toward qualitative operational efficacy.

Despite its insights, this research is constrained by certain limitations, particularly its reliance on a purely quantitative proxy the proportion of independent commissioners which fails to capture qualitative dimensions such as board competence, technical expertise, and active meeting engagement. Additionally, the scope is tightly restricted to the energy and mining sector within a specific timeframe, meaning the cost-centric market reactions observed cannot be generalized to lower-risk or less-regulated industries, while a substantial portion of firm value variance remains unexplained due to the exclusion of critical exogenous factors. To address these gaps, future studies should look beyond structural board ratios by incorporating qualitative governance metrics like board educational backgrounds or dedicated sustainability committees, conduct comparative analyses across diverse industry sectors to test the boundaries of these findings, and integrate industry-specific control variables such as global commodity price indices and macroeconomic indicators.

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