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The Influence of Corporate Governance and Profitability on Corporate Value with Corporate Social Responsibility as a Mediating Variable

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ABSTRACT

This study represents a critical indicator of firm success and shareholder wealth maximization. However, the mechanisms through which governance structures and financial performance translate into enhanced firm value remain incompletely understood, particularly regarding the mediating role of corporate social responsibility (CSR) in emerging markets. This study examines the effect of corporate governance and profitability on firm value and tests whether corporate social responsibility mediates the effect of corporate governance and profitability on firm value. The research was conducted in the energy and basic materials sectors from 2013 to 2022. The samples were 610 datasets, obtained from annual reports listed on the Indonesia Stock Exchange. The study employs panel data regression analysis using three equation models to test direct and indirect relationships among variables. The results show that board size, board independence, profitability, and corporate social responsibility positively influence firm value. In addition, corporate social responsibility mediates the positive influence of board size, board independence, and profitability on firm value. These findings have important theoretical and practical implications. Theoretically, the study contributes to agency and stakeholder theory by demonstrating that CSR serves as a critical mechanism through which governance structures and profitability enhance firm value in resource-intensive sectors. Practically, the results suggest that firms in the energy and basic materials sectors should integrate CSR into their corporate strategy, while investors should consider both governance quality and CSR performance when making investment decisions. For policymakers, the findings underscore the importance of strengthening CSR disclosure regulations to enhance market transparency and stakeholder confidence.

KEYWORDS *Board Independence; Board Size; Corporate Social Responsibility; Corporate Value; Profitability*

INTRODUCTION

Company value is an evaluation of investors on the company's success, which is related to the stock price. The company has the main goal, one of which is to improve the welfare of shareholders (Kamaliah, 2020). Ibrahim, stated that companies that have high stock prices can improve the welfare of their shareholders. Therefore, the company has an obligation to increase the company's value to maintain trust and prioritize the interests of shareholders.Click or tap here to enter text.

Company value is an important factor that investors use to make investment decisions, as investors tend to choose companies that exhibit high performance and company value. The value of a company can be assessed in various aspects, one of which is the stock price. Purbawangsa et al, stated that a high stock price reflects a high value of the company, and this will have an impact on market confidence in the company's current performance and provide future opportunities. It can be concluded that the value of a company can provide welfare for its shareholders, if the company's share price increases (Ben Fatma & Chouaibi, 2023;Purbawangsa et al., 2020;Kamaliah, 2020)

Investors also provide an assessment of the company's value, where companies that succeed in increasing their company's value are considered to pay good attention to social and environmental aspects or called corporate social responsibility (CSR). This shows that the sustainability of the company is not only measured from the economic aspect, but also involves the company's social and environmental responsibility in its operational activities. Corporate social responsibility is important, because it can provide a positive influence between stakeholders and the company, resulting in a positive impact on the company's value (Bardos et al., 2020; Chang et al., 2019).

Zhao et al., (2016) stated that corporate social responsibility (CSR) is a company's business strategy in implementing the national economy, because CSR can create a positive image and support sustainable development. As a result, companies can improve productivity and work efficiency (Devie et al., 2020). The way companies do CSR is not only by carrying out social activities, but the company provides information on corporate social responsibility in the company's annual report or sustainability report (Zhao et al., 2016).

A strong relationship between corporate social responsibility (CSR) supported by stakeholder theory, can have a positive influence on the company's value. CSR activities can increase the readiness of stakeholders to support their business activities and reduce conflicts of interest with other stakeholders. The interest of stakeholders in information about corporate social responsibility, especially investors, can provide added value as a consideration for investing. The high value of the company will result in an increase in the value of the shares, so the high value of the company is a factor that increases the welfare of shareholders because it contributes to their income (D'Amato & Falivena, 2020).

However, the event of a decline in the stock price will show a decline in the value of the company. For example, based on data from the Indonesia Stock Exchange in 2023, PT. Bukit Asam in September had a share price of -2.10%, and in October it decreased by -11.43%. PT. Bayan Resource in September had a share price of 0.53% and in October it decreased to -3.44%. PT Adaro Energy Indonesia in September had a share price of 6.74%, and in October it decreased by -10.18%. From this percentage, it shows that the decline in stock prices occurred as a result of financial statement problems related to stock ownership and poor corporate governance. Thus, company value has a very important role for the company's sustainability. Therefore, a way to increase the value of a company can be done with CSR reporting.

The implementation of corporate social responsibility (CSR) does not only optimize financial performance, but also from the non-financial side such as creating a positive company reputation, increasing customer satisfaction and making companies produce products/services more innovative. The relationship between the implementation of CSR and financial performance can have a positive influence on the company's value. Previous research has shown that the implementation of CSR can be influenced by several factors, namely corporate governance and profitability (D'Amato & Falivena, 2020; Galbreath & Shum, 2012; Kamaliah, 2020; Purbawangsa et al., 2020; Reverte et al., 2016).

The Organization for Economic Cooperation and Development states that corporate governance is a set of rules, methods and institutions used to guide, manage and supervise an organization by involving various interested parties. Corporate governance can provide benefits such as increasing investors' confidence in the company, lowering the cost of capital, making it easier for companies to enter and participate in trading activities in the stock market, and companies have access to more stable, reliable and reliable sources of funds. Corporate governance helps to establish a relationship between the board of commissioners, directors and shareholders to be transparent with each other. The implementation of corporate governance will affect the company's management policies and decision-making processes, including in terms of corporate social responsibility (Purbawangsa et al., 2020; Sarker & Hossain, 2023).

Previous research has said that, good social responsibility has a strong relationship with corporate governance. In corporate governance, every individual who has a role in managing the company has the responsibility to carry out the company's social obligations and devise strategies to fulfill its obligations. Thus, corporate governance has an important role to increase managerial behavior's awareness of CSR. Stated that good corporate governance can act as a barrier for managers who behave unethically to pursue personal interests and can be detrimental to the company (Aboud & Yang, 2022; Ebaid, 2022).

Corporate governance also has an important role, namely corporate governance is used to ensure that the company is run properly, safeguards the interests of all stakeholders and can help the company achieve its long-term goals in a sustainable manner. In addition, companies that have a good image in their corporate governance attract investors to invest with fair rates of return and low cost of capital (Varghese & Sasidharan, 2020). Thus, corporate governance is one of the factors in decision-making for investors and can increase the company's value (Varghese & Sasidharan, 2020).

Profitability is also one that can affect the implementation of corporate social responsibility. Prasetya Margono & Gantino, stated that profitability is a measure used to evaluate a company's performance in generating its profits from its business activities. The goal of the company is to make a profit or profit, therefore profitability is the focus for investors. Toto, stated that stable profitability allows the company to survive by getting sufficient returns rather than risks (Prasetya Margono et al., 2021; Purbawangsa et al., 2020).

Companies that show concern for the environment are considered to pay more attention to the prospects of the company's future performance, so that they will get a positive assessment from investors. Therefore, companies with high profitability values will always strive to increase their social activities as a way to give confidence to investors that the company is not only focused on the short-term goal of gaining profitability, but also on its long-term goal of increasing the company's value (Akhyar et al., 2023; Kamaliah, 2020; Mariana et al., 2020; Purbawangsa et al., 2020)

A strong relationship between signaling theory and company values can reduce information differences. In this case, the company can give a positive signal to investors by providing transparent and trustworthy financial information. When a company provides clear and complete financial information, it will increase investor confidence in the company. High confidence from investors will have an impact on increased profit and return on equity (ROE).

In this study, the author will use companies in the energy and basic materials sectors listed on the Indonesia Stock Exchange from 2013 – 2022. The reason for choosing the energy and basic materials sector is because these sectors are very related to environmental and social issues. Activities in the energy and basic materials sectors often have a major impact on the environment, local communities and other stakeholders both positively and negatively.

Based on this background, the author wants to conduct research on how corporate governance and profitability can affect corporate social responsibility, how corporate governance, profitability, and corporate social responsibility can affect corporate value, and whether corporate social responsibility can mediate the relationship between corporate governance and profitability to corporate value. Therefore, the author made the title of the research: The Influence of Corporate Governance and Profitability on Corporate Value with Corporate Social Responsibility as a Mediation Variable.

This study aims to determine the influence of corporate governance on corporate social responsibility, the influence of profitability on corporate social responsibility, and the influence of corporate governance and profitability on company value. In addition, this study also wants to identify the influence of corporate social responsibility on corporate value and explore the ability of corporate social responsibility in mediating the influence of corporate governance and profitability on corporate value. The benefits of this research are divided into three categories. First, from a theoretical perspective, it is expected to contribute to the development of theories and practical evidence related to financial management, especially regarding corporate governance, profitability, social responsibility, and corporate values. Second, practically, the results of this research are expected to be evaluation or advice for investors in making investment decisions in the energy and raw materials sectors. Third, this research is expected to be a reference for future research related to corporate governance and profitability as independent variables, social responsibility as a mediating variable, and corporate value as a dependent variable, as well as encourage development using different variables.

RESEARCH METHODS

This study used a quantitative method with secondary data to measure research phenomena accurately and measurably. The research population is energy and basic materials sector companies listed on the Indonesia Stock Exchange (IDX). The sampling method uses purposive sampling with the criteria of companies listed on the IDX for the 2013-2022 period, has a complete annual report related to corporate social responsibility and corporate governance structure, and has complete data to calculate PBV and ROE. From these criteria, a sample of 61 companies was obtained.

The dependent variable in this study is the company's value which is measured using Price to Book Value (PBV) with the formula PBV = Share Price ÷ Book Value per Share. This variable reflects investors' assessment of the company which is generally related to the stock price. Independent variables consist of corporate governance and profitability. Corporate governance is measured through two indicators, namely the size of the board which is calculated by Ln (Natural Logarithm) of the number of directors of the board, and the independence of the board which is calculated by dividing the total number of independent directors by the total number of directors on the board. Profitability is measured using Return on Equity (ROE) with the formula ROE = (Net Profit ÷ Equity) × 100%. The mediation variable is corporate social responsibility (CSR) which is measured using the KLD (Kinder Lydenberg Domini) method. This measurement includes five dimensions, namely environment, product quality, diversity, employees, and public relations. Each dimension is given a value of 1 if the company conducts CSR activities on that dimension and a value of 0 if it does not. The calculation formula is KLD = $(\sum Di)/5$, where Di is the value for the ith dimension.

This study also used five control variables. The size of a company is measured by Ln (Natural Logarithm) of total assets. Debt (leverage) is calculated in terms of the ratio of long-term liabilities to total assets. The age of the company is calculated from the difference between the period of the research sample and the date of company establishment. Cash ownership is calculated by dividing cash and cash equivalents by total assets. Growth is measured in terms of sales growth in the previous year.

Data analysis used panel regression with three equation models. The first model tested the influence of corporate governance and profitability on CSR: $CSR = \alpha + \beta_1 BZ + \beta_2 IB + \beta_3 ROE + \beta_4 Size + \beta_5 Lev + \beta_6 Age + \beta_7 CashH + \beta_8 Growth + \varepsilon$. The second model tests the influence of corporate governance and profitability on company value: $PBV = \alpha + \beta_1 BZ + \beta_2 IB + \beta_3 ROE + \beta_4 Size + \beta_5 Lev + \beta_6 Age + \beta_7 CashH + \beta_8 Growth + \varepsilon$. The third model tests the influence of all variables on the company's value including CSR as a mediator: $PBV = \alpha + \beta_1 BZ + \beta_2 IB + \beta_3 ROE + \beta_4 CSR + \beta_5 Size + \beta_6 Lev + \beta_7 Age + \beta_8 CashH + \beta_9 Growth + \varepsilon$.

Statistical testing includes descriptive statistics to describe the mean, median, and standard deviation of the data. The correlation matrix was used for the multicollinearity test with the criterion of correlation coefficient less than 0.8. The selection of the best model is carried out through the Chow, Hausman, and Lagrange Multiplier tests. The hypothesis test uses a 5% significance level consisting of the F test to test for simultaneous influence, the t test to test for partial influence, and the determination coefficient (R^2) to measure the model's ability to explain variations in dependent variables. The mediation test uses the Sobel test with the formula $t = ab/Sab$, where the relationship is considered significant if the calculated t-value is greater than 1.96. All statistical analysis was conducted using Eviews 12 software.

RESULTS AND DISCUSSION

Description of Research Data

This research was conducted to provide evidence based on observations related to the influence of corporate governance, profitability on company value and also to know that corporate social responsibility can mediate the relationship between independent and dependent variables. This research also uses secondary data taken from the annual financial statements from 2013-2022. The data is taken from the Indonesia Stock Exchange website. The analysis method used in this study is quantitative using Microsoft Excel as a tool to compile data and Eviews as a tool to test data. So, researchers can get appropriate information to answer existing problems.

This study uses secondary data, namely data on reports of companies in the energy and basic materials sector listed on the Indonesia Stock Exchange (IDX) in 2013-2022, namely as many as 61 companies that produced 610 observations with table 1 as follows:

Table 1. Sampling Results

Criterion	Sum
Companies Listed on the IDX for the 2013-2022 period	192
Publish Annual Report for the 2013-2022 period	(125)
Data Outlier	(6)
Total Company	**61**
Total Observation Data	**610**

Source: Processed Researcher, 2025

Statistics Descriptive

Sekaran & Bougie state that descriptive statistical analysis Descriptive statistical analysis can provide information such as mean values, standard deviations, medians, maximums, minimums of the data taken (Sekaran et al., 2016).

Table 2. Descriptive Statistics of Research Data

	Mean	Median	Maximum	Minimum	Std. Dev
PBV	1,26	0,92	6,3	-5,4	1,12
BZ	1,48	1,37	2,7	0,69	0,36
IB	0,66	0,7	1	0,3	0,23
ROE	0,05	0,06	2,21	-2,94	0,33
CSR	0,72	0,8	1	0,1	0,208
Size	29,35	29,26	32,76	25,60	1,58
Lev	1,48	0,19	759,27	0	30,73
Age	31	32	55	1	12,71
CashH	0,10	0,07	1,40	0	0,12
Growth	28,45	28,62	32,47	0	2,76

Source: Processed Researcher, 2025

Table 2 is the result of data processing from a descriptive statistical test tool, which shows that the average value (mean) in the variable company value (PBV) of 1.26 with a minimum value of -5.4 and a maximum of 6.3. From the data, it can be seen that in general companies in the sector energy and basic material listed on the Indonesia Stock Exchange (IDX) shows that the stock market price is higher than the book value. However, there are also some indications that some of these companies are in poor financial condition.

Corporate governance variables as independent variables with board size indicators or board size (BZ) have a minimum value of 0.69 and a maximum value of 2.7 in the 2013-2022 period. From the data, companies in energy and basic material have a larger number of board members. The average of the board size is 1.48, which shows that most companies have a large board size in sector companies' energy and basic material listed on the Indonesia Stock Exchange (IDX).

The corporate governance variable as an independent variable with the board independence (IB) indicator has a minimum value of 0.3 and a maximum value of 1. The company with the lowest level of board independence in the sample had a score of 0.3, which likely means that 30% of board members are board independent. When viewed from the whole, the average company in the sample has 0.66 or 66% are independent board members. This shows that most companies have an independent board of companies in the sector energy and basic material listed on the Indonesia Stock Exchange (IDX).

Profitability variables as independent variables with indicators return on equity (ROE), have a minimum value of -2.94 and a maximum value of 2.21. When viewed from the minimum value, it shows that there are companies that suffer large losses compared to their equity. However, when viewed from the average of 0.05 which shows that the company's profit in general is relatively small compared to its equity in sector companies Energy and basic material listed on the Indonesia Stock Exchange (IDX).

The corporate social responsibility variable as a mediation variable has a minimum value of 0.1 and a maximum value of 1. A minimum value of 0.1 indicates that few companies are involved in social or sustainability activities. However, when viewed from the average of 0.72 which shows that as a large sector company Energy and basic material listed on the Indonesia Stock Exchange (IDX) for the 2013-2022 period has a fairly high level of corporate social responsibility.

The company size variable as a control variable has a minimum value of 25.60 and a maximum value of 32.76. When viewed from the minimum value, it shows that some companies have relatively small assets compared to other companies. However, if the average is 29.35 which indicates that most of the companies in the sample are large size. This means that companies with large sizes can be more confident in the market and more stable. In addition, large companies are more able and more motivated to carry out social activities as part of the company's business strategy and reputation.

The debt variable as a control variable has a minimum value of 0 and a maximum value of 759.27. This shows that the companies in the sample have no debt. Here are some companies that do not have debt.

Table 3. Debt-Free Companies

No	Company Name	Year
1	PT. Indah Kiat Pulp & Paper Tbk	2016
2	PT. Sumber Energi Andalan Tbk	2013-2020
3	PT. Golden Eagle Energy	2014

Source: Processed Researcher, 2025

However, when viewed from the average value of 1.48, it shows that the companies in the research sample have varying levels of debt, namely from those that have no debt to very high. So if you look at the average, the use of debt is quite significant.

The company age variable is a control variable that has a minimum value of 1 and a maximum value of 55. If you look at the minimum value, there is the youngest company in the research sample that has only been established for 1 year, namely PT. Asiaplast Industries in 2013. However, when viewed from an average of 31, it shows that older companies have good practices, stability and market restructuring, so that they can increase investor confidence.

The ownership variable is a control variable that has a minimum value of 0 and a maximum value of 1.49. If you look at the minimum value that some sector companies *Energy* and *basic material* have no cash at all. The following are companies that have no cash ownership.

Table 4. Companies That Don't Have Cash Ownership

No	Company Name	Year
1	PT. Astrindo Nusantara Infrastructure	2015
2	PT. Toba Pulp Lestari	2020
3	PT. A Reliable Energy Source	2017-2019

Source: Processed Researcher, 2025

However, if viewed from an average of 0.10, this shows that most companies in the energy and basic materials sector have small cash compared to their total assets. The growth variable is a control variable, which has a minimum value of 0 and a maximum of 32.47. If you look at the minimum value that there are companies in the energy and basic material sector have not experienced growth like PT. Central Omega Resource in 2014-2016. However, when viewed from the average value of 28.45 which shows that some companies are experiencing high enough growth, so that they can increase the company's value through positive market perception and can support the implementation of corporate social responsibility activities.

Correlation Matrix

Table 5 is a correlation matrix that presents the coefficients between variables in the study. In this regression model, it is explained that the mediation variable (CSR) has a high correlation between BZ (board size) and IB (independence board) of 0.902, indicating that the multicollinearity between BZ (board size) and IB (independence board) remains. The correlation between BZ (board size) and CSR is 0.777, IB (independence board) and CSR is 0.739, and ROE (return on equity) and CSR are 0.633, all below 0.8. Thus, there is no multicollinearity between CSR and other variables.

Table 4. Correlation Matrix

	Obs	PBV	BZ	IB	ROE	CSR	SIZE	LEV	AGE	CASH	GROWTH
PBV	610	1									
BZ	610	0.7711	1								
IB	610	0.6906	0.9023	1							
ROE	610	0.6598	0.7405	0.5790	1						
CSR	610	0.8173	0.7778	0.7390	0.6335	1					
SIZE	610	0.1158	0.0460	0.0369	0.0528	0.0904	1				
LEV	610	-0.0025	0.0134	0.0064	0.0043	0.0141	0.0535	1			
AGE	610	0.0326	0.0462	0.0466	0.0661	0.0883	0.1349	0.0718	1		
CASH	610	0.1975	0.1721	0.1803	0.1231	0.1916	0.0547	0.0435	0.0675	1	
GROWTH	610	0.1534	0.0661	0.0800	0.0424	0.1796	0.5271	0.0316	0.2383	0.0968	1

Selection of Regression Estimation Models

1. **Equation 1**
   a) **Chow Test**
   The Chow test is used to determine the best model used between common effect and fixed effect.

Table 5. Chow Test Results Equation 1

Effect Test	Statistic	d.f.	Prob
Cross-section F	3.011195	(60,541)	0.0000
Cross-section Chi-square	175.772123	60	0.0000

Source: Processed Researcher, 2025

Based on table 6, it is known that the probability value of chi-square is less than 0.05, so the best model used is the fixed effect model (FEM) for the regression model of equation 1.

   b) **Hausman Test**
   The Hausman test is used to find out the best model used between fixed effects and random effects.

Table 6. Hausman Test Results Equation 1

Test Summary	Chi-Sq Statistics	Chi-sq d.f.	Prob
Cross-section random	4.037149	8	0.8538

Source: Processed Researcher, 2025

Based on table 7, it is known that the probability value of chi-square is greater than 0.05, so the best model used is the random effect model.

c) **Lagrange Multiplier Test**

The Lagrange Multiplier test is used to find out the best model used between random and common effects.

Table 7. Lagrange Multiplier Test Results Equation 1

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	73.19229 (0.0000)	0.197526 (0.6567)	73.3898 (0.0000)

Source: Processed Researcher, 2025

Based on table 8, it is known that the probability value of the Breusch-Pagan cross section is less than 0.05, so the best model used is the random effect model (REM).

2. **Equation 2**

a) **Chow Test**

The Chow test is used to determine the best model used between common effect and fixed effect.

Table 8. Chow Test Results Equation 2

Effect Test	Statistic	d.f.	Prob
Cross-section F	3.576802	(60,541)	0.0000
Cross-section Chi-square	203.803194	60	0.0000

Source: Processed Researcher, 2025

Based on table 9, it is known that the probability value of chi-square is less than 0.05, so the best model used is the fixed effect model (FEM).

b) **Hausman Test**

The Hausman test is used to find out the best model used between fixed effects and random effects.

Table 9. Hausman Test Results Equation 2

Test Summary	Chi-Sq Statistics	Chi-sq d.f.	Prob
Cross-section random	7.923402	8	0.4410

Source: Processed Researcher, 2025

Based on table 10, it is known that the probability value of chi-square is more than 0.05, so the best model used is the random effect model (REM).

c) **Lagrange Multiplier Test**

The Lagrange Multiplier test is used to find out the best model used between random and common effects.

Table 10. Lagrange Multiplier Test Results Equation 2

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	142.2912 (0.0000)	2.702750 (0.1002)	144.9940 (0.0000)

Source: Processed Researcher, 2025

Based on table 11, it is known that the probability value of the Breusch-Pagan cross-section is less than 0.05, so the best model used is the random effect model (REM).

3. **Equation 3**

a) **Chow Test**

The Chow test is used to determine the best model used between common effect and fixed effect.

Table 11. Chow Test Results Equation 3

Effect Test	Statistic	d.f.	Prob
Cross-section F	3.298725	(60,540)	0.0000
Cross-section Chi-square	190.485341	60	0.0000

Source: Processed Researcher, 2025

Based on table 12, it is known that the probability value of chi-square is less than 0.05, so the best model used is the fixed effect model (FEM).

b) **Hausman Test**

The Hausman test is used to find out the best model used between fixed effects and random effects.

Table 12. Results of the Hausman Test Equation 3

Test Summary	Chi-Sq Statistics	Chi-sq d.f.	Prob
Cross-section random	15.251004	9	0.0843

Source: Processed Researcher, 2025

Based on table 13, it is known that the probability value of chi-square is more than 0.05 degrees, so the best model used is the random effect model (REM).

c) **Lagrange Multiplier Test**

The Lagrange Multiplier test is used to find out the best model used between random and common effects.

Table 13. Lagrange Multiplier Test Results Equation 3

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	129.3239 (0.0000)	2.413631 (0.1203)	131.7376 (0.0000)

Source: Processed Researcher, 2025

Based on table 14, it is known that the probability value of the Breusch-Pagan cross-section is less than 0.05, so the best model used is the random effect model (REM).

Discussions

The Effect of Board Size on Corporate Social Responsibility

Board size (BZ) had a significant positive effect on corporate social responsibility ($p=0.000 < 0.05$). This supports the findings of Endrikat et al. (2021) and Majumder et al. (2017) that a larger number of directors expands external networks, increases supervision, and improves capacity to support corporate social activities. These results are also in line with the theory of resource dependence and agency theory that emphasize the importance of large boards in obtaining access to resources, reducing conflicts of interest, and ensuring the interests of shareholders (Ebaid, 2022).

The Influence of Board Independence on Corporate Social Responsibility

Board independence (IB) has a significant positive effect on corporate social responsibility ($p=0.000 < 0.05$). This research is in line with Endrikat et al. (2021) and Aboud & Yang (2022) who assert that independent directors tend to be more supportive of CSR due to their objective nature as well as responsibility to shareholders. Their presence increases management openness and public trust (Ullah et al., 2019). These results are in accordance with agency theory and resource dependency theory that emphasizes the effectiveness of supervision and access to external knowledge.

The Effect of Profitability on Corporate Social Responsibility

Profitability has a significant positive effect on corporate social responsibility ($p=0.000 < 0.05$). These results are consistent with Kamaliah (2020) and Purbawangsa et al. (2020), that the higher the profit, the greater the company's social contribution. As per signaling theory, high profitability gives a positive signal about management efficiency and business prospects, which encourages companies to invest in CSR to build a positive image and increase long-term value.

Effect of Board Size on Company Value

The size of the board (BZ) had a significant positive effect on the company's value ($p=0.000 < 0.05$). This is in line with Awad et al. (2023) who stated that large councils improve company performance and value through diversity of expertise. However, research by Mishra & Kapil (2018), Sarker & Hossain (2023), and Bansal & Sharma (2016) shows negative effects in the form of slowing down decisions and potential conflicts. However, from the perspective of agency theory, the grand board increases supervision, reduces conflicts of interest, and supports managerial accountability.

The Influence of Board Independence on Company Value

The independence of the board has a significant positive effect on the company's value ($p=0.031 < 0.05$). Varghese & Sasidharan (2020) and Bhat et al. (2018) assert that independent directors reduce agency costs, safeguard shareholder interests, and increase accountability. This is according to the agency's theory, that the presence of external board members increases objective oversight and the effectiveness of meetings, thus having a positive impact on the company's value.

The Effect of Profitability on Company Value

Profitability has a significant positive effect on the company's value ($p=0.000 < 0.05$). Purbawangsa et al. (2020) and Sutomo & Budiharjo (2019) stated that high profits give positive signals to the market, increase stock demand, and strengthen investor confidence. As per signaling theory, high profitability reflects strong financial performance, increases stock prices, and enlarges the market value of a company.

The Effect of Corporate Social Responsibility on Corporate Value

CSR has a significant positive effect on the company's value ($p=0.000 < 0.05$). This is in accordance with Kamaliah (2020) which emphasizes the integration of social, environmental, and economic aspects in the company's sustainability. However, Fahrunisa & Sutrisno (2022) found that CSR can have a negative impact when poor disclosure or excessive focus on CSR reduces profits. According to stakeholder theory, CSR increases reputation, investor trust, and good relationships with stakeholders which ultimately strengthens the company's value.

The Role of Corporate Social Responsibility Mediation

Board Size → CSR → Company Value

CSR mediates the influence of board size on company value ($p=0.001$). The grand council supports CSR oversight, broadens viewpoints, and increases legitimacy (Purbawangsa et al., 2020; Kamaliah, 2020).

Board Independence → CSR → Corporate Values

CSR mediates the influence of board independence on company value ($p=0.000$). Independent boards are more objective and encourage transparency, increasing public trust and company value (Purbawangsa et al., 2020; Kamaliah, 2020).

Profitability → CSR → Company Value

CSR also mediates the influence of profitability on company value ($p=0.000$). More profitable companies have the resources for sustainable social programs, strengthening their image and reputation (Kamaliah, 2020; Purbawangsa et al., 2020).

CONCLUSION

This study aims to prove the influence of corporate governance and profitability on company value, with social responsibility as a mediating variable. Secondary data from the annual financial statements (2013-2022) were used, and regression analysis showed that board size and independence and profitability had a positive effect on social responsibility and corporate values. The results also show that social responsibility mediates the relationship between board size and independence as well as profitability to company value. The theoretical implications affirm the role of governance in reducing agency conflicts and increasing stakeholder trust. Practically, management needs to increase transparency and make social responsibility part of the long-term strategy, while investors are advised to consider the composition of the board as an indicator of financial health. The limitations of the study include observation periods and focus on specific sectors, with suggestions for expanding periods and sectors in subsequent research.

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