CONTRIBUTION OF CORPORATE SOCIAL RESPONSIBILITY, GOOD CORPORATE GOVERNANCE AND TAX AVOIDANCE TO THE ENERGY SECTOR'S FINANCIAL PERFORMANCE

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Abstract This study aims to examine the effect of corporate social responsibility, good corporate governance and tax avoidance on the financial performance of energy sector mining companies listed on the Indonesia Stock Exchange. This research uses a quantitative approach with descriptive and associative methods. The sample was selected using purposive sampling technique and 30 observations were obtained based on certain criteria, with the observation period during 2023. Financial performance is measured by profitability ratio proxied by return on equity. The data analysis technique uses multiple linear regression. The results show that corporate social responsibility disclosure and good corporate governance have an effect on financial performance as measured by return on equity, while tax avoidance has no significant effect on financial performance. The implications of these findings suggest that companies need to prioritize CSR as part of their business strategy, as consistent implementation can increase public trust. In addition, constructive oversight through the role of an independent board of commissioners is important to support sustainability-oriented decisions. Although tax avoidance has not been shown to have a significant impact on financial performance, companies are advised to avoid aggressive tax avoidance strategies and focus more on compliance and transparency in financial reporting.

1 Introduction

Energy sector mining companies play an important role in the Indonesian economy. This sector not only contributes to state revenue through taxes and royalties, but also provides employment and supports infrastructure development in its operational areas [1]. In 2023, the contribution of the mining and quarrying sector to Indonesia's Gross Domestic Product (GDP) reached IDR 2,198 trillion or 10.5%, down from 12.22% in the previous year [2]. In the midst of these positive contributions, challenges arise in the form of environmental damage and social conflicts that encourage companies to implement corporate social responsibility practices as an effort to build sustainability with stakeholders [3].

In addition to CSR, good corporate governance practices are an important focus in strengthening investor confidence and business sustainability. Good corporate governance promotes transparency, accountability and better risk management within the company. However, its implementation in the energy mining sector still faces obstacles, especially in the aspects of reporting transparency and internal control [4]. On the other hand, tax avoidance strategies have also come under scrutiny because while they may increase short-term profits, they can pose reputational risks and reduce state revenues.

The main problem that arises is how these factors CSR, GCG and tax avoidance affect the financial performance of mining companies in the energy sector. Based on the observation of financial statements, it was found that the average net profit decreased significantly. The average net profit of energy sector mining companies in 2022-2023 can be seen as follows:

Table 1. Average Profit of Energy Sector Companies for the Period 2022-2023

Description	2022	2023	Profit Decline Index
Average profit	IDR 75.689.740.280.345	IDR 43.063.563.771.574	56,89 %

Source: Financial statements processed data, 2025

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The data in Table 1 shows that there are financial problems in energy sector mining companies, with a significant decrease in profits in 2022-2023 and some companies experiencing losses consistently every year. The average net profit of the company decreased from IDR 75,689,740,280,345 in 2022 to IDR 43,063,563,771,574 in 2023, with a decline index of 56.89%. The decline in profits of mining companies in the energy sector is not without cause. One of the main factors is the fluctuating prices of energy commodities such as coal and oil, which are heavily influenced by global demand. In 2023, global coal prices decreased by about 45% compared to the previous year due to weakening demand from China and energy transition policies in various countries [2]. In addition, increased operating costs have become a burden for companies, mainly due to the rising prices of fuel and production equipment, as well as the implementation of stricter environmental regulations. The government also tightened regulations on taxes and non-tax government revenues (PNBP), which resulted in several companies being fined. In 2022, the Ministry of Finance blocked 126 mining companies due to PNBP arrears, with another 90 companies having tax debts reaching IDR 1 trillion [5]. A significant drop in profits in the energy sector indicates potential problems that could affect the overall financial performance of the company.

A company's financial performance is a key indicator in assessing the success of a business entity. One of the performance measures used is return on equity (ROE), which describes the Company's ability to generate profits from its own capital. In the energy mining industry, and environmental risks can suppress profitability. Therefore, it is important to examine how CSR, corporate governance, and tax avoidance strategies can affect financial performance directly or indirectly [6].

Previous research shows inconsistent results. Some studies such as [7] and [8] state that CSR and GCG have a significant effect on financial performance, while other studies such as [9] show the opposite result. Meanwhile, research related to tax avoidance also produces mixed findings, depending on the industry context and company characteristics [10]. This indicates a gap in the literature that still needs to be studied further.

This study aims to analyze the effect of corporate social responsibility, good corporate governance and tax avoidance on the financial performance of energy sector companies listed on the Indonesia Stock Exchange. By examining the three variables simultaneously, it is hoped that this research can contribute to academic literature as well as practical insights for companies in improving financial performance in a sustainable manner.

The implementation of corporate social responsibility (CSR) by companies is a form of social responsibility that is expected to create long-term added value. When companies carry out CSR consistently and are integrated into business strategies, positive perceptions will be formed from stakeholders, which have an impact on increasing loyalty, reputation, and investor confidence. The rationalization of the relationship between CSR and financial performance is based on legitimacy theory, which states that companies need to build and maintain social legitimacy in order to continue operating sustainably. In this context, CSR becomes a strategic instrument to demonstrate environmental and social stewardship, as well as create added value for stakeholders. Some studies such as those conducted by [11] and [12] show that CSR plays a role in strengthening the company's relationship with society, which has a positive impact on reputation and increased public trust. This impact indirectly encourages consumer loyalty and investor preference, which then strengthens the company's financial performance.

However, non-uniform results were also found. Research by [13] shows that there is no statistically significant relationship between several dimensions of CSR and financial performance. This finding suggests that the effect of CSR is highly dependent on how it is implemented and communicated to stakeholders. Therefore, it is important for companies to not only make CSR a formality, but an integral part of a sustainable business strategy.

H1: Corporate social responsibility (CSR) has a significant effect on financial performance.

Good corporate governance (GCG) is a supervisory mechanism designed to ensure that management acts in accordance with the interests of the owners of capital. When GCG is implemented effectively, potential conflicts of interest can be minimized, and management decision making becomes more accountable and efficient. In agency theory, the relationship between principal (owner) and agent (manager) is prone to conflicts of interest. Therefore, GCG is present as a mechanism to minimize these conflicts, one of which is through the existence of independent commissioners who act as objective supervisors. Studies by [14] and [15]show that the presence of independent commissioners helps increase accountability and transparency, so that management decisions are more in favor of the interests of capital owners.

Previous research by [16]and [17] also indicated that GCG has a significant influence on improving financial performance. However, [9] found that in some contexts, the implementation of GCG did not show a significant effect. This can be caused by differences in the implementation and effectiveness of the supervisory function in each company.
H2: Good corporate governance (GCG) has a significant effect on financial performance.

Tax avoidance is a managerial strategy to minimize the tax burden legally in order to increase net profit efficiency. This practice can provide short-term benefits in the form of increased profitability due to reduced spending on taxes. However, if done aggressively and non-transparently, tax avoidance can pose reputational risks, close scrutiny from tax authorities, and potential sanctions that harm the company. Thus, the effect of tax avoidance on financial performance is contextual, depending on the level of strategic aggressiveness and stakeholders' perceptions. Based on agency theory, managers may engage in tax avoidance to maximize net income reported to shareholders. However, this practice can also lead to reputational risks and legal sanctions, which in the long run reduce investor confidence and have a negative impact on financial performance [18].

Some studies such as [19] show that companies with low profitability tend to practice higher tax avoidance. In contrast, [10] found that tax avoidance does not have a significant effect on financial performance, which indicates that its effect is highly dependent on the company's strategy and transparency in managing tax obligations.

H3: Tax avoidance has no significant effect on financial performance.

2 Research method

This research uses a quantitative approach with descriptive and associative methods. Descriptive methods are used to describe the value of each variable, while associative methods are used to test the relationship between corporate social responsibility, good corporate governance, and tax avoidance variables on the company's financial performance. The population in this study were all energy sector mining companies listed on the Indonesia Stock Exchange (IDX) in 2023, totaling 74 companies. The sample determination technique uses purposive sampling method with the following criteria: (1) energy sector companies listed on the IDX in 2023; (2) companies that publish financial reports in 2023; (3) companies that have complete data according to research needs. Based on these criteria, 30 companies were obtained as samples. Sources and methods of collecting data using secondary data obtained through documentation and literature study. Data sources are financial reports and annual reports downloaded from the official IDX website (www.idx.co.id). With operational variables measured by the disclosure index based on GRI-2021. GCG is measured by the proportion of independent commissioners. tax avoidance is measured by Effective Tax Rate (ETR), and financial performance is measured by return on equity (ROE).

Table 2. Operationalization of Research Variables

Variable	Indicator	Meansure Formula	Scale	Source
Corporate Social Responsibility (X_1)	xi, Number of CSR disclosure items n, total of all CSR disclosure items according to GRI-2021	$CSR \frac{\sum xi}{n}$	Ratio	[7]
Good Corporate Governance (X_2)	Number of Independen Commissioners Total Commissioners of Company	$DKI \frac{Number\ of\ Independent\ Commissioners}{Total\ Commissioners\ of\ the\ company}$	Ratio	[14]

Tax Avoidance (X_3)	Income Tax Expense Earning Before Tax	$ETR \frac{Income\ Tax\ Expense}{Earning\ Before\ Tax}$	Ratio	[20]
Financial Performance (Y)	*Return on Equity* (ROE)	$ROE \frac{Net\ Income}{Total\ Equity}\ X\ 100$	Ratio	[21]

This study measures Corporate Social Responsibility (CSR) using a disclosure index based on the Global Reporting Initiative (GRI) Standards 2021, reflecting the proportion of CSR items disclosed by the company [7]. Good Corporate Governance (GCG) is proxied by the ratio of independent commissioners to total commissioners, representing governance quality and oversight effectiveness [14]. Tax Avoidance is measured using the Effective Tax Rate (ETR), calculated as income tax expense divided by earnings before tax, where a lower ETR indicates higher tax avoidance [20]. Lastly, Financial Performance is proxied by Return on Equity (ROE), which indicates the company's profitability relative to shareholders' equity [21].

3 Results and discussion

Classic Assumption Test

Table 3. Classic Assumption Test Results

Test	Method	Result	Conclusion
Normalitas	One-Sampel Kormogorov-Smirnov Test Asymp. Sig. (2-tailed) > 0,05	Asymp. Sig. (2-tailed) = 0,178	Data is Normal distributed
Multicolinearity	Collinierity VIF <10 Tolerance > 0,1	VIF.CSR=1,649 VIF.GCG=1,455 VIF.Tax Avoidance=1,224 Tolerance. CSR=0,606 Tolerance. GCG=0,687 Tolerance. Tax Avoidance=0,817	There is no Multicolinearity
Heteroscedasticity	If the points on the scatterplots graph spread randomly above and below the Y axis, then the regression model contains heteroscedasticity.	Scatterplots do not show a specific pattern and the points spread randomly, meaning there is no heteroscedasticity.	There is no Heteroscedasticity

Source: Results of SPSS Output Data Processing, 2025

The information in Table 3 shows that the results of the data analysis are normally distributed, characterized by a significant value of 0.178, where this value is greater than 0.05. Next is the multicollinearity test, as shown in table 1, the results of the analysis show that the Variance Inflation Factor (VIF) value of CSR, GCG and tax avoidance variables has a value less than 10, and the tolerance value is greater than 0.1. Therefore, it can be concluded that all independent variables are free from multicollinearity problems. Table 1 also shows the results of the heteroscedasticity test analysis, where the scatterplot graph does not show any specific pattern, and the points are randomly scattered. Thus, it can be said that all independent variables do not suffer from heteroscedasticity. Based on the test results above, it can be concluded that the data is suitable for hypothesis testing using the regression method.

Multiple linear regression analysis

Multiple linear regression analysis is used to test the relationship between the independent variables, namely corporate social responsibility (X1), good corporate governance (X2), and tax avoidance (X3) with the dependent variable, namely financial performance (Y). the test results in this study are known as follows.

Table 4. Test Results Multiple linear regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4077.029	1256.841		3.244	.003
	Corporate Social Responsibility	.389	.182	.332	2.139	.042
	Good Corporate Governance	-.865	.174	-.710	-4.958	<.001
	Tax Avoidance	-.222	.214	-.157	-1.040	.308

Source: Results of SPSS Output Data Processing, 2025

Based on the test results in Table 4, which are displayed in the Coefficients table, the regression equation in this study can be formulated as follows:

a =4077.029

b1 =0,389

b2 =-0,865

b3 =-0,222

Therefore, the multiple linear regression equation for the three predictors (corporate social responsibility, good corporate governance, and tax avoidance) is obtained, which is:

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 \quad (1)$$

$$Y = 4077.029 + 0.389X_1 - 0.865X_2 - 0.222X_3 \quad (2)$$

The following conclusions can be drawn from the regression equation above:

1. The constant value of 4077.029 indicates that if the CSR (X1), GCG (X2), and tax avoidance (X3) variables are zero, then the value of financial performance (Y) is estimated at 4077.029.
2. The regression coefficient for variable X1 (CSR) of 0.389 indicates that if CSR increases by 1 unit, assuming other variables remain constant, then financial performance will increase by 0.389 units. This indicates a positive influence of CSR on ROE.
3. The regression coefficient for variable X2 (GCG) of -0.865 indicates that if DKI increases by 1 unit, assuming other variables remain constant, then financial performance will decrease by -0.865 units. This shows the negative effect of GCG on ROE.
4. The regression coefficient for variable X3 (Tax Avoidance) of -0.222 indicates that if tax avoidance increases by 1 unit assuming other variables remain constant, then financial performance will decrease by -0.222 units. This also shows the negative effect of tax avoidance on ROE.

Partial Significance Test (t test)

The t test is conducted to measure the effect of each independent variable on the dependent variable partially. If the probability value is less than 0.05, it is considered to have a significant effect. Conversely, if the probability value is more than 0.05, it is considered not to have a significant effect.

As presented in Table 4, the first hypothesis regarding corporate social responsibility influences financial performance.. The results of H1 obtained a significant value of 0.042 <0.05. It can be concluded that CSR has a significant effect on financial performance, so **H1 is accepted**. The second hypothesis is that good corporate governance has an influence on financial performance. The results of H2 obtained a significant value of <0.001 <0.05. It can be concluded that GCG has an effect and is significant on financial performance, so **H2 is accepted**. The third hypothesis is that tax avoidance has no effect on financial performance. The results of H3 obtained a significant value of 0.308 <0.05. It can be concluded that tax avoidance has no significant effect on financial performance, so **H3 is rejected**.

Simultaneous Significant Test (F Test)

The F test is conducted to determine the effect of independent variables simultaneously on the dependent variable and is used to test whether the regression model can be used properly or not. With the value of Fcount> Ftable, H0 is accepted and Ha is rejected (significant). And vice versa, too.

Table 5. Test Results Simultaneous Significant Test (F Test)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	951720433.3	3	317240144.4	5.913	$.003^b$
Residual	1394879078	26	53649195.31		
Total	2346599511	29			

Source: Results of SPSS Output Data Processing, 2025

Based on the test results in Table 5, the results of this test obtained a significant value of 0.003> 0.05, and Fcount 5.913> Ftable 2.98. This proves that Ho is accepted and Ha is rejected, which means that there is a significant effect of corporate social responsibility (X1), good corporate governance (X2), and tax avoidance (X3) on financial performance (Y), namely return on equity simultaneously.

Test Coefficient of Determination (R2)

Table 6. Test Results Coefficient of Determination (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871[a]	.759	.730	.28423

Source: Results of SPSS Output Data Processing, 2025

Based on the test results in Table 6, the R2 coefficient of determination test is carried out to determine the percentage of influence of the independent variable (predictor) on changes in the dependent variable. The value of this test is in the range of 0 to 1. The closer to 1, the greater the proportion of information contributed by the independent variable in explaining variations in the dependent variable. The R-squared value is 0.759 or 75.9%. While the remaining 24.1% is influenced by other factors not included in the regression model.

Effect of corporate social responsibility on financial performance

Based on the results of hypothesis testing displayed in the t-test table, the significance value is 0.042 for the CSR variable on ROE, which is smaller than 0.05. This result shows that H0 is rejected and H1 is accepted, which means that there is a significant influence between CSR on ROE. This means that companies that are more active in CSR activities tend to have a better return on equity. This increase can be caused by increased reputation, customer loyalty, and better relationships with stakeholders.

The results of this study are in line with research [17] and [8], which found that CSR can improve financial performance. However, research [9] found that CSR has no significant effect on financial performance. This shows that although the relationship between CSR and financial performance is positive, it is not always significant. Therefore, it can be concluded that CSR influences financial performance, but the impact varies depending on other factors such as corporate strategy and economic conditions.

The effect of good corporate governance on financial performance

Based on the results of hypothesis testing displayed in the t test table, the significance value is <0.001 for the GCG variable on ROE, which is smaller than 0.05. This result shows that H0 is rejected and H1 is accepted, which means that there is an influence between GCG on ROE. However, the regression coefficient value of -0.865 indicates that the direction of the effect is negative. This means that an increase in the proportion of independent commissioners actually correlates with a decrease in ROE. This result contradicts the initial expectation that good corporate governance will increase profitability. One possible cause is that too strict supervision from the independent board of commissioners can limit management flexibility in making strategic business decisions.

The results of this study are in line with research [22] showing that GCG does not always have a significant effect where the results of the study show a negative effect. Because strict GCG implementation can increase operational costs or limit the company's flexibility in making business decisions, it does not always have a positive impact on profitability. However, this study contradicts research [23], which found that GCG has a positive effect on financial performance. Therefore, it can be concluded that the impact of GCG on financial performance still depends on other factors such as business strategy and market conditions.

The effect of tax avoidance on financial performance

Based on the results of hypothesis testing displayed in the t-test table, the significance value is 0.308 for the tax avoidance variable on ROE, which is greater than 0.05. These results indicate that H0 is accepted and H1 is rejected, which means that there is no influence between tax avoidance on the company's financial performance. This shows that tax avoidance practices carried out by energy sector companies do not have a direct impact on their financial performance. Other factors such as tax regulations, government policies, and investor perceptions may be more dominant in determining the company's financial performance.

The results of this study are not in line with research [19], which found that profitability has a relationship with tax avoidance. However, this study is in line with [10] and [24], which show that tax avoidance does not always have a significant effect on profitability because its impact depends on tax policies, regulations, and tax management strategies implemented by the company. Therefore, it can be concluded that the impact of tax avoidance on financial performance is influenced by external factors that are more dominant in determining company profitability.

4 Conclusion and recommendation

Based on the research results, it is concluded that corporate social responsibility (CSR) and good corporate governance (GCG) have a significant effect on financial performance as measured using return on equity (ROE), while tax avoidance does not show a significant effect. These results indicate that the company's involvement in social responsibility programs and the supervision carried out by the independent board of commissioners play a role in supporting the achievement of financial performance. However, the negative effect of GCG indicates a possible imbalance between supervision and managerial flexibility in strategic decision-making. This finding provides an important picture, although it still needs to be understood in the context of the scope of the study and the characteristics of the sample used.

Companies are advised to integrate CSR as part of their long-term business strategy, not just a form of compliance or image building. Consistent implementation of CSR can increase public trust, customer loyalty, and better relationships with stakeholders. On the other hand, the role of the independent board of commissioners needs to be directed to provide constructive supervision and still provide space for management to act adaptively to business opportunities. Given that tax avoidance is not proven to have a significant positive impact on financial performance, companies should avoid aggressive tax avoidance strategies and emphasize more on the principles of transparency and compliance. With this approach, companies are expected to be able to create a healthier, sustainable governance and financial strategy that is aligned with long-term interests.

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