

The Mediating Role Of Financial Performance In The Influence Of Good Corporate Governance And Corporate Social Responsibility On Firm Value: Evidence From Indonesian Palm Oil Issuers

Zainal Firdaus¹, Fifi Swandari², Astrid Juniar³, Meina Wulansari Yusniar⁴, Ahmad Rifani⁵

¹Master of Management Program, Lambung Mangkurat University, Indonesia.

^{2,3,4,5}Department of Management, Lambung Mangkurat University, Indonesia.

*Corresponding author: fifiswandari71@gmail.com

Abstract

This study analyzes the effect of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) on Firm Value through Financial Performance across 14 palm oil issuers listed on the Indonesia Stock Exchange (IDX) (56 firm year observations, 2022–2025 period). Employing a quantitative approach with purposive sampling, data were analyzed using PLS-SEM via SmartPLS 4.0. GCG was proxied by independent commissioners and institutional ownership; CSR disclosure was measured using GRI indicators; Financial Performance was proxied by ROA, ROE, and NPM; and Firm Value was measured using Tobin's Q, PBV, and PER.

The findings indicate that GCG and CSR exert a positive and significant effect on Financial Performance and Firm Value. Financial Performance also has a significant positive effect on Firm Value and is empirically proven to mediate the relationship between GCG and CSR and Firm Value. The R^2 values for Financial Performance (0.567) and Firm Value (0.684) confirm the strong explanatory power of the model. These findings emphasize that enhancing the value of palm oil issuers requires integrating good governance and sustainability disclosure with solid profitability performance.

Keywords: Good Corporate Governance, Corporate Social Responsibility, Financial Performance, Firm Value, Palm Oil Issuers.

INTRODUCTION

The palm oil industry occupies a highly strategic position in Indonesia's macroeconomy, serving as a primary driver of agricultural export revenues, employment,

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and industrial bioenergy development. As the world’s largest producer of crude palm oil (CPO), Indonesia contributes significantly to the global supply of vegetable oils and oleochemical raw materials. National statistical reports indicate that Indonesian CPO production reached 51.66 million metric tons (MMT) in 2025, with total palm product output encompassing both CPO and Palm Kernel Oil (PKO) reaching 56.55 MMT (Kementerian Pertanian, 2026; GAPKI, 2026). Total export volume reached 32.34 MMT, generating an export value of USD 35.87 billion (IDR 590 trillion) in foreign exchange earnings (GAPKI, 2026)

However, this substantial production volume and export capacity are counterbalanced by severe governance, regulatory, and sustainability pressures. Recent regulatory audits and land use realignments conducted by government authorities affected approximately 3.3 million hectares of palm plantations representing roughly 19% of the total planted area due to legality, environmental compliance, and forest zone concession reviews (USDA FAS, 2025). Consequently, listed palm oil companies on the Indonesia Stock Exchange (IDX) operate under a dual imperative: maintaining operational profitability while navigating heightened scrutiny regarding environmental, social, and governance (ESG) compliance. Table 1 summarizes the core macroeconomic, operational, and sustainability indicators defining the sector's contemporary landscape.

Table 1. Macroeconomic, Operational, and Sustainability Indicators of the Indonesian Palm Oil Sector (2025)

No	Indicator / Aspect	Empirical Value	Context and Strategic Implication	Primary Source
1	Annual CPO Production	51.66 MMT	Core raw material extraction and national supply capacity	Kementerian Pertanian (2026); GAPKI (2026)
2	Total CPO & PKO Output	56.55 MMT	Expanded scope encompassing kernel derivative manufacturing	GAPKI (2026)
3	GAPKI (2026)	32.34 MMT / \$35.87B	Major contributor to foreign trade balance (IDR 590 Trillion)	GAPKI (2026)



4	Affected Plantation Area	3.30 Million Ha	Land legality audit and state land-reclamation enforcement (19% total area)	USDA FAS (2025)
5	Output Projection (2025/26)	46.70 MMT	Projected supply adjustment under tighter regulatory enforcement	USDA FAS (2025)

Source: Synthesized and processed from Kementerian Pertanian RI (2026), GAPKI (2026), and USDA FAS (2025)

From a corporate finance perspective, high sectoral production volumes do not automatically translate into superior market valuation for listed issuers. Equity investors increasingly evaluate palm oil companies through an integrated lens combining financial metrics and nonfinancial governance disclosures. Financial performance, traditionally captured through profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), reflects internal operational efficiency and asset productivity (Brigham & Ehrhardt, 2017; Zutter & Smart, 2022). Conversely, non-financial dimensions namely Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) provide critical signals regarding risk management, institutional oversight, and long term business legitimacy (OECD, 2023; Global Reporting Initiative, 2021). Companies that demonstrate robust board oversight, active institutional ownership, and comprehensive CSR disclosures based on Global Reporting Initiative (GRI) standards are positioned to mitigate agency conflicts, minimize legal exposure, and enhance market valuation measured by Tobin’s Q, Price to Book Value (PBV), and Price Earnings Ratio (PER) (Brigham & Ehrhardt, 2017; Damodaran, 2025).

Table 2. Systematic Literature Mapping and Research Gap Synthesis

Gap Dimension	Prior Research	Main Findings & Limitations	Position & Approach of This Study
Methodological Approach	Bagh et al., (2024); Suhartini et al., (2024); Hermawaty & Rahyuda (2025)	Utilization of 2S-GMM, FGLS, or standard Sobel tests without simultaneous inner/outer	Applies Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 4.0 for



		structural evaluation	robust path and mediation modeling
Variable Specification	Zulhilmi et al., (2022); Jao et al., (2024); Pamungkas et al., (2023)	CSR treated merely as a moderating factor, or ESG treated as a single composite construct	Separates GCG (X ₁) and GRI-based CSR (X ₂) as distinct antecedents tested simultaneously
Empirical Consistency	Hapsari et al., (2025); Bagh et al., (2025); Jao et al., (2024)	Mixed direct effects of GCG and CSR on firm value across sectors.	Tests Financial Performance (Z) as a partial mediating bridge connecting non-financial inputs to market valuation (Y)
Contextual Focus	Suhartini et al., (2024); Putra & Budastra (2024); Hermawaty & Rahyuda (2025)	Broad cross-sectoral samples or generic manufacturing indices	Broad cross-sectoral samples or generic manufacturing indices

Source: Processed from empirical literature review (2026)

To resolve these empirical ambiguities, this study establishes an integrated multi-theoretical framework combining Stakeholder Theory (Freeman, 1984; Freeman et al., 2010), Agency Theory (Jensen & Meckling, 1976), Sustainable Value Creation Theory (Hart & Milstein, 2003; Laszlo & Zhexembayeva, 2017), and Value Relevance Theory (Ohlson, 1995; Feltham & Ohlson, 1995). Stakeholder Theory posits that addressing non-shareholder claims through transparent CSR disclosures builds legitimacy and strategic trust. Agency Theory asserts that strong governance structures specifically independent board monitoring and institutional shareholder pressure curtail managerial opportunism and improve resource allocation efficiency. Sustainable Value Creation Theory bridges these inputs, arguing that governance discipline and stakeholder alignment directly strengthen operational productivity and profitability. Finally, Value Relevance Theory explains that financial statement metrics (ROA, ROE, NPM) provide the fundamental



economic signals utilized by capital markets to price corporate equity (Tobin's Q, PBV, PER).

Accordingly, this study investigates the direct and indirect impacts of Good Corporate Governance (X_1) and Corporate Social Responsibility (X_2) on Firm Value (Y) through Financial Performance (Z) among 14 palm oil issuers listed on the Indonesia Stock Exchange during the 2022 – 2025 observation window (56 firm-year observations)

LITERATURE REVIEW

Good Corporate Governance (GCG)

Good Corporate Governance (GCG) is defined as a system and governance framework that regulates the relationships, rights, duties, and oversight mechanisms among shareholders, the board of commissioners, board of directors, management, and other stakeholders to ensure transparent, accountable, responsible, independent, and fair corporate operations (OECD, 2023; KNKG, 2021). Anchored in Agency Theory and Sustainable Value Creation Theory, GCG serves as an essential internal control mechanism designed to mitigate agency conflicts, curtail managerial opportunism, and protect investor interests while driving long-term corporate value (Jensen & Meckling, 1976; Hart & Milstein, 2003; Bagh et al., 2025). In this study, GCG is operationalized as an independent variable through two key structural monitoring indicators: Independent Commissioners (KOMIND), measured as the proportion of independent commissioners to total board of commissioners members, and Institutional Ownership (INST), measured as the percentage of company shares owned by institutional entities relative to total outstanding shares (OECD, 2023; KNKG, 2021).

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) represents a firm's strategic commitment to integrate economic, environmental, and social responsibilities into its core business practices and reporting while actively managing operational impacts on stakeholder groups (Chandler, 2022; Global Reporting Initiative, 2021). Grounded in Stakeholder Theory and Sustainable Value Creation Theory, comprehensive CSR disclosures act as an effective strategic communication tool that builds organizational legitimacy, strengthens stakeholder trust, and mitigates non-financial risk exposures in resource intensive agribusiness operations (Freeman, 1984; Freeman et al., 2010; Hart & Milstein, 2003; Tarjo et al., 2022). In this research, CSR is operationalized as an independent variable using the Corporate Social Responsibility Disclosure Index (CSRDI) based on Global Reporting Initiative (GRI) standards, encompassing three specific disclosure dimensions: the economic dimension (CSR\Ekonomi with 17 GRI disclosure items), the environmental dimension (CSR Lingkungan with 31 GRI disclosure items), and the social

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dimension (CSR Sosial with 35 GRI disclosure items) (Global Reporting Initiative, 2021; OJK, 2021).

Financial Performance

Financial Performance reflects a firm's operational capability and managerial efficiency in generating net profits and managing its economic resources, total assets, equity, and sales turnover over a specific accounting period (Brigham & Ehrhardt, 2017; Zutter & Smart, 2022). Anchored in Value Relevance Theory and Signaling Theory, robust financial performance provides key fundamental economic signals that convey internal operational productivity, cost efficiency, and corporate financial health to capital market investors (Ohlson, 1995; Spence, 1973; Suhartini et al., 2024). In this study, financial performance is positioned as a mediating variable and is measured using three classic profitability ratios: Return on Assets (ROA), calculated as net income after tax divided by total assets; Return on Equity (ROE), calculated as net income after tax divided by total equity; and Net Profit Margin (NPM), calculated as net income after tax divided by net sales (Brigham & Ehrhardt, 2017; Zutter & Smart, 2022).

Firm Value

Firm Value represents the capital market's collective valuation and perception regarding a company's economic prospects, asset productivity, future earning capacity, and overall business risk profile (Brigham & Ehrhardt, 2017; Damodaran, 2025). Grounded in Value Relevance Theory and Signaling Theory, firm value reflects how market investors evaluate and price both financial profitability metrics and non-financial governance and sustainability signals disclosed in corporate reporting (Ohlson, 1995; Feltham & Ohlson, 1995; Bagh et al., 2025). In this study, firm value serves as the primary dependent variable and is operationalized through three market valuation ratios expressed in percentage form: Tobin's Q, measured as the ratio of market value of equity plus total liabilities to total assets; Price to Book Value (PBV), calculated as stock market price per share divided by book value per share; and Price Earnings Ratio (PER), measured as stock market price per share divided by earnings per share (Brigham & Ehrhardt, 2017; Damodaran, 2025).

RESEARCH METHODS

This study executed a quantitative explanatory approach with a causal verificative design utilizing secondary panel data derived from annual reports, sustainability reports, financial statements, and capital market trading data of palm oil issuers listed on the Indonesia Stock Exchange across the 2022 – 2025 observation period (Baltagi, 2021; Brooks, 2019; Sekaran & Bougie, 2026). Employing a non-probability purposive sampling

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technique based on strict completeness criteria, a final sample of 14 palm oil companies was established, yielding 56 firm year observations (Sekaran & Bougie, 2026). The operational variables comprise Good Corporate Governance (X_1 , proxied by Independent Commissioners and Institutional Ownership), Corporate Social Responsibility (X_2 , proxied by the GRI based CSR Disclosure Index across 17 economic, 31 environmental, and 35 social items via content analysis), Financial Performance (Z , proxied by ROA, ROE, and NPM), and Firm Value (Y , proxied by Tobin's Q, PBV, and PER) (Brigham & Ehrhardt, 2017; Damodaran, 2025; Global Reporting Initiative, 2021; OJK, 2021). Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 4.0, executing a two-stage evaluation: outer model assessment for convergent validity (loading > 0.70), indicator collinearity ($VIF < 5.00$), and model fit ($SRMR < 0.08$), followed by inner model structural testing (R^2 , f^2 , $PLSpredict$) and a 5,000-resample bootstrapping procedure ($\alpha = 0.05$, $t > 1.96$) to examine direct path coefficients and specific indirect mediating effects (Hair et al., 2021; Sarstedt et al., 2022).

RESULT AND DISCUSSION

Result

Tabel 3. Descriptive Statistics of Research Variable Indicators

Indikator	N	Minimum %	Maksimum %	Rata-Rata %	Standar Deviasi %
KOMIND	56	33,33	66,67	43,02	10,94
INST	56	59,62	100	84,61	12,43
CSR_Ekonomi	56	0	100	51,89	26,17
CSR_Lingkungan	56	0	100	65,44	23,58
CSR_Sosial	56	0	88,57	60,82	20,25
ROA	56	0,1	25,19	8,57	5,74
ROE	56	0,62	31,68	15,02	8,53
NPM	56	0,28	34,22	13,28	9,26
Tobin's Q	56	51,3	300	126,39	65,09
PBV	56	24,4	885	172,53	169,77
PER	56	258,5	11.898,00	1.518,15	2.218,38

Source: Data processed by the researcher, 2026.

Based on Table 3 descriptive statistics across 56 palm oil issuer samples, corporate governance (GCG) is characterized by the dominance of institutional ownership (INST averaging 84.61%) as well as a proportion of independent commissioners (KOMIND averaging 43.02%) that meets regulatory standards. For the



CSR variable, the highest level of disclosure is found in the environmental (65.44%) and social (60.82%) dimensions compared to the economic dimension (51.89%). All financial performance indicators show positive profitability led by ROE (averaging 15.02%), while firm value is generally perceived positively by the market with an average Tobin's Q of 126.39% (1.26 times) and PBV of 172.53% (1.73 times), although the PER ratio exhibits the highest level of variation (averaging 1,518.15% or 15.18 times; SD = 2,218.38%), indicating significant differences in market expectations regarding the prospects of each issuer.

Tabel 4. Outer Loadings Results of Research Constructs

Construct	Indicator	Outer Loading	information
Corporate Social Responsibility (CSR)	Economic CSR (CSR_Ekonomi)	0.993	Valid
Corporate Social Responsibility (CSR)	Environmental CSR (CSR_Lingkungan)	0.949	Valid
Corporate Social Responsibility (CSR)	Social CSR (CSR_Sosial)	0.899	Valid
Good Corporate Governance (GCG)	Institutional Ownership (INST)	0.963	Valid
Good Corporate Governance (GCG)	Independent Commissioners (KOMIND)	1.000	Valid
Financial Performance	Net Profit Margin (NPM)	0.995	Valid
Financial Performance	Return on Assets (ROA)	0.961	Valid
Financial Performance	Return on Equity (ROE)	0.985	Valid
Firm Value	Price to Book Value (PBV)	0.987	Valid
Firm Value	Price Earnings Ratio (PER)	0.976	Valid
Firm Value	Tobin's Q	0.989	Valid

Source: Data processed by the researcher, 2026.



Based on the outer loading evaluation presented in Table 4, all research indicators exhibit outer loading values ranging from 0.899 to 1.000, well above the standard threshold of 0.700. This demonstrates that every indicator across all constructs including Corporate Social Responsibility (Economic, Environmental, Social CSR), Good Corporate Governance (INST, KOMIND), Financial Performance (NPM, ROA, ROE), and Firm Value (PBV, PER, Tobin's Q) possesses exceptionally high convergent validity (valid) and accurately measures its respective underlying construct within the PLS-SEM framework.

Table. 5 Indicator Multicollinearity Test Results (VIF)

Indicator	VIF	information
CSR Ekonomi	3,064	Multicollinearity is not present.
CSR Lingkungan	2,936	
CSR Sosial	2,591	
INST	2,815	
KOMIND	2,288	
NPM	2,977	
PBV	3,432	
PER	2,846	
ROA	3,315	
ROE	3,068	
Tobin's Q	3,226	

Source: Data processed by the researcher, 2026.

Based on the indicator multicollinearity test results presented in Table 5, all research indicators exhibit Variance Inflation Factor (VIF) values ranging from 2.288 to 3.432. Since all VIF values remain well below the critical threshold of 5.00 (as well as the conservative benchmark of 3.30 for most indicators), it can be concluded that all indicators are free from multicollinearity issues (multicollinearity is not present), satisfying the outer model evaluation requirements in the PLS-SEM framework.

Table. 6 Model Fit

Indeks <i>Model Fit</i>	<i>Saturated Model</i>	<i>Estimated Model</i>	information
SRMR	0,028	0,028	Good
d_ ULS	0,053	0,053	Adequate
d_ G	0,146	0,146	Adequate
<i>Chi-square</i>	39,531	39,531	Adequate



NFI	0,965	0,965	Good
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Source: Data processed by the researcher, 2026.

Based on the model fit test results presented in Table 6, all fit indices demonstrate that the PLS-SEM model possesses a strong empirical fit ranging from good to adequate. The Standardized Root Mean Square Residual (SRMR) of 0.028 is well below the maximum recommended threshold of 0.080 (good), supported by a Normed Fit Index (NFI) of 0.965 exceeding the standard benchmark of 0.900 (good). Furthermore, discrepancy measures including d_ULS (0.053), d_G (0.146), and Chi-square (39.531) fall within adequate criteria, confirming that the empirical data fits the structural model exceptionally well for hypothesis testing.

Table. 7 R-squared and Adjusted R-squared values

Endogenous Variable	R-square	R-square Adjusted
Financial performance	0,567	0,551
Nilai Perusahaan	0,684	0,665

Source: Data processed by the researcher, 2026.

Based on the coefficient of determination (R^2) test results presented in Table 7, the Financial Performance variable exhibits an R^2 value of 0.567 (56.7%) and an Adjusted R^2 of 0.551 (55.1%), indicating that 56.7% of the variance in Financial Performance is explained by Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) within a moderate category, with the remaining 43.3% influenced by external factors outside the model. Meanwhile, the Firm Value variable records an R^2 value of 0.684 (68.4%) and an Adjusted R^2 of 0.665 (66.5%), demonstrating that GCG, CSR, and Financial Performance simultaneously account for 68.4% of the variance in Firm Value within a strong (substantial) category, with the remaining 31.6% explained by unexamined variables.

Table. 8 f-square Values for Structural Paths

Structural Pathway	F-square	Category
Corporate Social Responsibility → Financial Performance	0.619	Large
Corporate Social Responsibility → Firm Value	0.140	Small to Medium
Good Corporate Governance → Financial Performance	0.401	Large

Good Corporate Governance → Firm Value	0.134	Small to Medium
Financial Performance → Firm Value	0.305	Medium

Source: Data processed by the researcher, 2026.

Based on the effect size (f^2) evaluation presented in Table 8, Corporate Social Responsibility ($f^2 = 0.619$) and Good Corporate Governance ($f^2 = 0.401$) exert a large effect size on driving Financial Performance among palm oil issuers. Furthermore, Financial Performance demonstrates a medium effect size ($f^2 = 0.305$) on Firm Value, whereas the direct effects of Corporate Social Responsibility ($f^2 = 0.140$) and Good Corporate Governance ($f^2 = 0.134$) on Firm Value fall within the small to medium effect size category.

Table. 9 PLSpredict Test Results

Indicator	Q ² predict	PLS-SEM RMSE	LM RMSE	PLS-SEM MAE	LM MAE
NPM	0.449	5.670	5.556	4.583	4.581
ROA	0.427	4.204	4.181	3.365	3.382
ROE	0.463	5.195	5.207	4.236	4.220
PBV	0.477	149.122	149.195	123.089	124.535
PER	0.466	2,191.860	2,211.330	1,813.650	1,829.400
Tobin's Q	0.496	41.416	41.410	33.413	34.034

Source: Data processed by the researcher, 2026.

Based on the PLSpredict analysis presented in Table 9, all endogenous variable indicators yield Q² predict values well above zero (ranging from 0.427 to 0.496), confirming strong out-of-sample predictive relevance. Furthermore, the prediction error comparison reveals that the majority of indicators particularly market valuation proxies such as PBV, PER, and Tobin's Q (MAE) exhibit lower prediction errors (RMSE and MAE) in the PLS-SEM analysis compared to the Linear Model (LM) benchmark, demonstrating that the structural model possesses medium to high predictive power.

Table. 10 Results of Direct Effect Tests (Path Coefficients)

Hypothesis	Structural Path	Original Sample (O)	T-Statistics (O/STDEV)	P-Values	Decision
H1	Good Corporate Governance → Firm Value	0.250	2.237	0.025	Supported
H2	Good Corporate Governance → Financial Performance	0.427	4.325	< 0.001	Supported
H3	Corporate Social Responsibility → Firm Value	0.274	2.380	0.017	Supported
H4	Corporate Social Responsibility → Financial Performance	0.531	6.146	< 0.001	Supported
H5	Financial Performance → Firm Value	0.472	3.369	0.001	Supported

Source: Data processed by the researcher, 2026.

Based on the direct effect hypothesis testing results presented in Table 10, all five hypotheses (H1 through H5) are statistically supported as they satisfy the significance criteria of $p < 0.05$ and $t\text{-statistics} > 1.96$. Corporate Social Responsibility exerts the strongest direct positive effect on Financial Performance ($\beta = 0.531$; $p < 0.001$), while Financial Performance acts as the primary direct driver in enhancing Firm Value ($\beta = 0.472$; $p = 0.001$). Additionally, Good Corporate Governance and Corporate Social Responsibility also demonstrate significant direct positive impacts on Firm Value, recording path coefficients of 0.250 ($p = 0.025$) and 0.274 ($p = 0.017$), respectively.

Table. 11 Results of Testing Indirect Effects (Specific Indirect Effects)

Hypothesis	Structural Path	Original Sample (O)	T-Statistics (O/STDEV)	P-Values	Decision
H6	Good Corporate Governance → Financial Performance → Firm Value	0.202	2.446	0.014	Supported
H7	Corporate Social Responsibility → Financial Performance → Firm Value	0.251	2.904	0.004	Supported

Source: Data processed by the researcher, 2026.

Based on the specific indirect effect test results presented in Table 11, hypotheses H6 and H7 are statistically supported as they satisfy the significance criteria of $p < 0.05$ and $t\text{-statistics} > 1.96$. Financial Performance is empirically proven to function as a significant mediating bridge that reinforces the indirect relationship between Good Corporate Governance and Firm Value ($\beta = 0.202$; $p = 0.014$) as well as between Corporate Social Responsibility and Firm Value ($\beta = 0.251$; $p = 0.004$).

DISCUSSION

The empirical findings reveal that Good Corporate Governance (GCG) has a direct positive and significant effect on Firm Value ($\beta = 0.250$; $p = 0.025$). Independent commissioners and strong institutional ownership enhance supervisory oversight, reduce agency conflicts, and foster market transparency, thereby instilling investor confidence in palm oil issuers. Grounded in Sustainable Value Creation Theory and Agency Theory, these results confirm that robust governance structures effectively mitigate operational and compliance risks, ultimately driving positive market appreciation as observed in prior studies (Bagh et al., 2025; Pamungkas et al., 2023; Zulhildi et al., 2022).

Good Corporate Governance exerts a substantial direct positive and significant impact on Financial Performance ($\beta = 0.427$; $p < 0.001$; $f^2 = 0.401$). Effective board oversight and active institutional monitoring enforce managerial discipline, streamline cost control, and optimize resource allocation across biological assets and processing facilities. Aligned with Sustainable Value Creation Theory, superior governance internally transforms operational discipline into enhanced profitability metrics (ROA, ROE, and

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NPM), supporting empirical evidence from (Affes & Jarboui, 2023; Pamungkas et al., 2023; and Lukman et al., 2024).

Corporate Social Responsibility (CSR) disclosure exerts a direct positive and significant effect on Firm Value ($\beta = 0.274$; $p = 0.017$). Transparent reporting across economic, environmental, and social GRI indicators signals corporate legitimacy, minimizes socio-environmental risks, and builds strong stakeholder trust. In line with Stakeholder Theory and Sustainable Value Creation Theory, capital market investors favorably value palm oil issuers that actively manage sustainability issues, consistent with the empirical insights of (Sampong et al., 2018; Tarjo et al., 2022; Jao et al., 2024).

Corporate Social Responsibility exhibits the strongest direct positive and significant effect on Financial Performance within the research model ($\beta = 0.531$; $p < 0.001$; $f^2 = 0.619$). Substantive CSR initiatives reduce community conflicts, secure operational social licenses, and stabilize supply chain activities in high-pressure agribusiness environments. Grounded in Stakeholder Theory and Sustainable Value Creation Theory, managing social and environmental responsibilities directly translates into operating efficiency and higher profit margins, reinforcing findings by (Fourati & Dammak 2021; Gillan et al., 2021; Jao et al., 2024).

Financial Performance exhibits a direct positive and significant influence on Firm Value ($\beta = 0.472$; $p = 0.001$; $f^2 = 0.305$). Robust profitability metrics serve as crucial economic signals in capital markets, indicating management's capacity to generate returns from equity, assets, and sales. Grounded in Value Relevance Theory and Signaling Theory, superior financial performance reassures investors regarding corporate growth and cash flow prospects, directly elevating market valuation ratios (Tobin's Q, PBV, and PER) as demonstrated by (Ferriswara et al., 2022; Putra & Budastra 2024; Hermawaty & Rahyuda, 2025).

Financial Performance significantly mediates the relationship between Good Corporate Governance and Firm Value ($\beta = 0.202$; $p = 0.014$), exhibiting partial mediation alongside a total effect of 0.452. Governance mechanisms improve internal monitoring and resource efficiency, which first elevates corporate profitability before fully reflecting in higher market valuation. Integrating Agency Theory, Sustainable Value Creation Theory, and Value Relevance Theory, these results demonstrate that governance structures create maximum firm value when translated into tangible financial results, corroborating findings by (Pamungkas et al., 2023; Suhartini et al., 2024; Hapsari et al., 2025).

Financial Performance significantly mediates the impact of Corporate Social Responsibility on Firm Value ($\beta = 0.251$; $p = 0.004$), operating as a partial mediator with a total effect of 0.525. Active CSR disclosures foster stakeholder trust and operational stability, thereby driving financial performance, which subsequently leads to



elevated market appreciation. Grounded in Stakeholder Theory, Sustainable Value Creation Theory, and Value Relevance Theory, these findings highlight that sustainability practices deliver the highest market value when reinforced by strong underlying profitability, in line with (Jao et al., 2024; Putra & Budastra, 2024; Hermawaty & Rahyuda, (2025).

CONCLUSION

This study empirically investigates the structural relationships among Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), Financial Performance, and Firm Value across Indonesian palm oil issuers listed on the Indonesia Stock Exchange during the 2022–2025 period. Using Partial Least Squares Structural Equation Modeling (PLS-SEM), the findings confirm that both GCG (beta = 0.250, $p = 0.025$) and CSR disclosure (beta = 0.274, $p = 0.017$) exert direct positive and significant effects on Firm Value, as well as on Financial Performance (beta = 0.427, $p < 0.001$ and beta = 0.531, $p < 0.001$, respectively). Furthermore, Financial Performance significantly drives Firm Value (beta = 0.472, $p = 0.001$) and functions as a partial mediator in bridging the effects of GCG (beta = 0.202, $p = 0.014$) and CSR (beta = 0.251, $p = 0.004$) onto Firm Value. The model demonstrates strong explanatory power, accounting for 56.7% of the variance in Financial Performance ($R^2 = 0.567$) and 68.4% of the variance in Firm Value ($R^2 = 0.684$).

Theoretically, these results integrate Stakeholder Theory, Sustainable Value Creation Theory, Agency Theory, and Value Relevance Theory by proving that market appreciation in high-sustainability-risk sectors like palm oil depends on a multi stage value creation process. Practically, the study highlights that corporate sustainability and governance mechanisms should not be treated as passive administrative compliance, but rather as strategic drivers that foster investor confidence, mitigate socio-environmental risks, and optimize asset efficiency to generate fundamental earnings. Consequently, management must align GCG oversight and GRI based CSR disclosures with core operational efficiency to maximize market valuation sustainably.

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