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The Role of Profitability in Mediating the Effect of Corporate Social Responsibility on Firm Value

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ABSTRACT

This research seeks to investigate the impact of Corporate Social Responsibility (CSR) on firm value, with profitability examined as a mediating variable. Employing a quantitative explanatory approach, the study uses purposive sampling as its sampling technique. The sample comprises 15 energy sector companies listed on the Indonesia Stock Exchange between 2021 and 2023, yielding a total of 45 firm-year observations. The analytical methods involve panel data regression and mediation analysis using the Sobel test. The findings reveal that CSR does not have a significant influence on profitability, nor does it directly affect firm value. However, profitability is found to have a significant effect on firm value. Furthermore, CSR is not shown to impact firm value indirectly through profitability. Although CSR is often regarded as a strategic initiative aimed at enhancing corporate image and fostering long-term sustainability, the results suggest that within the context of energy companies during the observed period, CSR activities have not generated sufficient financial benefits to boost profitability, and consequently, do not contribute meaningfully to the enhancement of firm value.

Keywords: Corporate Social Responsibility, Energy Sector Companies, Price to Book Value, Return On Asset.

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INTRODUCTION

Corporate value is an important indicator that reflects how well a company is managed and perceived by stakeholders, including investors. In the capital market, corporate value is a primary concern because it can influence investment decisions and the company's stock performance. Generally, corporate value is measured by its stock market value, which reflects investors' expectations of the company's ability to generate future profits. (Sipahutar, 2025). Management must increase the value of the company Wibowo et al., (2022). Firm value is defined as market value because it is one of the most important values that reflects a company's financial performance and can influence how investors view the company's value. A company must increase its level of competitiveness to attract investors to invest in the business due to the rapid growth of the business world and the consequences of increasing global competition. Putri et al., (2023). There are several methods for measuring firm value indicators. Price to Book Value (PBV) is used as a proxy in this study. A higher PBV is associated with a higher share price. PBV is used as a proxy for firm value in this study because it offers several advantages: it is a stable and simple measure for comparing market prices and can also compare shares of similar companies, which will certainly impact investors' perspectives on investing (Tambuwun et al., 2024).

From 2020 to 2022, many energy sector companies experienced a decline in PBV, indicating that the companies were undervalued during that period. This would certainly give investors the green light to invest in the company. A company's rising value, indicated by the number of investors, is also accompanied by a corresponding increase in its value (Salsabilah & Sulistyowati, 2025). The decline in energy sector stock prices is an indication of declining firm value. The impact on energy companies is serious and could lead to a reduction in the company's value in the eyes of investors (Firdauzi et al., 2024). The decline in PBV of energy sector companies during 2021–2023 was caused by a combination of global economic factors, changing energy trends, and market sentiment towards this sector. The concept of corporate value has undergone substantial transformation, especially in light of emerging economic paradigms and the growing significance of intangible assets. Traditionally, corporate value was largely associated with physical assets like machinery, buildings, and other tangible resources. However, in today's digital economy, a considerable portion of a firm's value is now derived from intangible components, including brand equity, stakeholder trust, and engagement in Corporate Social Responsibility (CSR) practices.

Corporate value reflects a company's success, as measured by its share price. Increasing corporate value not only increases shareholder profits but also reflects strong operational performance. Profitability is an important indicator for investors in assessing a company's financial performance. Furthermore, CSR plays a crucial role in strengthening a company's image and quality, thus influencing its value Setyawan & Ghozali (2025). In recent years, awareness of the importance of sustainability and CSR has increased among businesses, investors, and the wider public. CSR is no longer viewed solely as a philanthropic activity, but rather as a strategic component that can add value to a company. Proper CSR implementation is expected to not only create a positive image but also boost financial performance and increase long-term firm value.

CSR signifies an organization's dedication to ethical business practices alongside efforts to generate beneficial impacts on both society and the environment. The increasing emphasis on CSR highlights a notable shift in stakeholder perspectives ranging from investors and consumers to regulatory bodies in how corporate performance is assessed and valued. Companies that actively engage in CSR practices often enjoy a better reputation, which can lead to increased customer loyalty and, ultimately, improved financial performance (Belinda & Dewi, 2023). CSR has become a key factor in increasing corporate value. Through implementing CSR programs, companies can enhance their brand image, reduce business risks, and ultimately increase investor confidence. Recent studies confirm a positive correlation between CSR implementation and increased corporate value (Sipahutar, 2025). In Indonesia, CSR is governed by Law No. 40 of 2007, which stipulates that companies engaged in and/or connected to natural resource sectors are obligated to undertake social and environmental responsibilities as an integral aspect of their legal compliance and ethical business conduct. According to Law No. 40 of 2007, companies operating in or related to natural resources are required to carry out social and environmental responsibilities (Wibowo et al., 2022)

These government regulations are contained in the global reporting initiatives (GRI) which produces a conceptual framework, principles, guidelines, and indicators that are generally accepted globally to encourage organizations to be more transparent, and are used to measure and report the social, environmental, and economic performance of organizations in an integrated reporting medium called sustainability reporting/corporate social responsibility (www.globalreporting.org). The government has enacted Law No. 40 of 2007 concerning Limited Liability Companies and the ratified Government Regulation in Lieu of Law (Perppu) on Job Creation. Provisions regarding the Social and Environmental Responsibility of Limited Liability Companies are further detailed in Government Regulation No. 47 of 2012. This regulation briefly states that every company operating in the natural resources sector is required to carry out CSR. Its implementation must be reported transparently in the annual report and funded proportionally by the Company. CSR in this study is measured using CSR disclosure based on the Global Reporting Initiative (GRI). GRI is a guideline for measuring sustainability reports. GRI creates a global competitive advantage in a market that is increasingly focused on environmental awareness (Setyawan & Ghozali, 2025)

Although Corporate Social Responsibility (CSR) continues to receive growing attention, a consistent link between CSR initiatives and enhanced corporate value is not always evident across companies. In certain cases, firms that actively engage in CSR activities may still experience a decline in profitability, which in turn contributes to fluctuations in their corporate value. As a critical metric for investors, corporate value reflects a firm's long-term potential and overall performance. Generally, a higher corporate value signals stronger market confidence in the company's ability to generate earnings and deliver shareholder value. Nevertheless, corporate value is shaped by multiple factors, with profitability being one of the most influential. Profitability serves as a fundamental indicator of a firm's capacity to produce earnings and is widely used by investors to gauge its financial soundness.

This study employs Return on Assets (ROA) as a measure of profitability, which serves as a key indicator in evaluating a company's performance. From a theoretical standpoint, higher profitability can potentially reinforce the linkage between Corporate Social Responsibility (CSR) disclosures and firm value. When a company achieves strong profits, it reflects an improvement in financial performance and provides the necessary resources to support CSR initiatives. Effective implementation of CSR is expected to enhance the company's public image, which in turn contributes to an increase in corporate value. A rise in firm value may further strengthen consumer trust and loyalty, ultimately creating a positive feedback loop that supports sustained profitability (Sutriningsih et al., 2019).

The period from 2021 to 2023 is a crucial period for research, as it marks the economic recovery period following the COVID-19 pandemic. Companies face significant challenges in stabilizing operations, maintaining profitability, and meeting demands for socially and environmentally responsible business practices. Meanwhile, investors are increasingly paying attention to Environmental, Social, and Governance (ESG) aspects in investment decision-making, making CSR an important variable influencing market perception of a company's value. Research that thoroughly examines the influence of CSR on firm value, considering profitability as a mediating variable, is crucial. This will not only provide a theoretical understanding of the relationship between these variables but also provide practical contributions to corporate management in formulating effective CSR strategies that have a tangible impact on financial performance and firm value.

Energy companies occupy a vital position within the national economy. In addition to fulfilling the energy demands of both the public and industrial sectors as well as domestic energy consumption these companies also contribute significantly to job creation on a broad scale. Moreover, their active involvement in infrastructure development plays an essential role in fostering economic progress and enhancing societal well-being (Firdauzi et al., 2024). The purpose of this study is to examine the influence of Corporate Social Responsibility (CSR) on firm value, with profitability acting as a mediating factor. Corporate Social Responsibility (CSR) reflects a company's dedication to conducting its operations in accordance with ethical standards while simultaneously advancing social welfare and promoting environmental stewardship. The increasing focus on CSR reflects a notable transformation in how stakeholders such as investors, consumers, and regulatory authorities assess corporate performance and responsibility.

This research adopts a mediation analysis framework to examine both the direct and indirect relationships among the investigated variables, wherein certain variables function as intermediaries between the independent and dependent constructs. The analytical approach combines panel data regression with the Sobel test to evaluate the existence and magnitude of mediating effects. While prior empirical studies have explored the relationship between Corporate Social Responsibility (CSR) and firm value with profitability as a mediating variable, the findings remain inconclusive and often vary across contexts. In general, the majority of studies report that CSR positively influences profitability (Astuti et al., 2020; Damara et al., 2019; Firdauzi et al., 2024) and firm value (Novega & Siswanti, 2024; Bhaktiar & Hermawan, 2024), and that profitability mediates the relationship between CSR and firm value (Novega & Siswanti, 2024; Rini et al., 2022; Damara et al., 2019; Firdauzi et al., 2024). Nevertheless, several studies indicate that CSR has no significant effect on firm value (Sipahutar, 2025; Rini et al., 2022; Damara et al., 2019; Putri et al., 2023) or profitability (Salsiah & Basmar, 2023), and in some cases, even exerts a negative effect on profitability (Putri et al., 2023). Similarly, the relationship between profitability and firm value yields mixed results, with some studies finding a positive and significant effect (Novega & Siswanti, 2024; Damara et al., 2019; Bhaktiar & Hermawan, 2024), while others report negative or insignificant effects (Astuti et al., 2020; Putri et al., 2023; Salsiah & Basmar, 2023). The mediating role of profitability in the CSR–firm value relationship is also inconsistent; several studies confirm its significance (Novega & Siswanti, 2024; Rini et al., 2022; Damara et al., 2019; Firdauzi et al., 2024), whereas others find no supporting evidence (Sholichah & Puspawati, 2023; Hartanto et al., 2025; Putri et al., 2023; Salsiah & Basmar, 2023). Against this backdrop, the present study focuses on energy sector firms listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period.

According to Spence (1973), signaling theory explains that parties with more information (companies) can send signals to parties with less information (investors) through various visible activities, such as CSR disclosure. CSR functions as a signal of a company's quality and prospects, which ultimately can increase market confidence and firm value. Based on signaling theory, companies send signals to investors to reduce information asymmetry. CSR is a positive signal that reflects a company's commitment to social responsibility and sustainability. This signal is expected to increase investor confidence, strengthen reputation, and ultimately have a positive impact on profitability and firm value.

Signaling theory emphasizes that certain signals carry significant meaning, while others have little value. This theory explains that observable qualities, such as the presentation of sound financial statements, can serve as an indication that a company is in good condition. In the economics and finance literature, signaling theory asserts that corporate insiders including officers and directors typically possess more accurate information regarding the company’s condition and prospects than external parties such as investors, creditors, the government, or even shareholders. Initially, the theory was developed to explain information asymmetry in the labor market, but over time it has evolved and been applied to examine various issues related to rights inherent to companies.(Wibowo et al., 2022)

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The notion of corporate value has evolved considerably in recent years, driven by the rise of new economic models and the growing relevance of intangible assets. Historically, the assessment of firm value was centered on tangible elements such as physical infrastructure and equipment. However, in the contemporary economic landscape particularly in the digital age intangible factors like brand image, customer loyalty, and Corporate Social Responsibility (CSR) initiatives have become increasingly instrumental in shaping corporate value. This transformation calls for a re-evaluation and refinement of the metrics used to assess firm value. Among the critical factors influencing corporate value is profitability, which has a strong association with a company's dividend policy (Novega & Siswanti, 2024). Firm value is often reflected in the company's stock price, commonly measured using the price-to-book value (PBV) ratio (Suwardika and Mustandra, 2017). A high PBV typically signals favorable investor sentiment and suggests the company is well-positioned for future growth, thus attracting greater investment interest. This aligns with the principle that higher firm value is generally indicative of stronger financial performance and promising future outlooks. In pursuit of maximizing market value, investors often delegate company management to professional experts (Wibowo et al., 2022)

Corporate Social Responsibility (CSR) programs can help energy companies improve stakeholder relationships, reduce and minimize negative impacts on the environment and human health, resolve social conflicts with communities due to their contributions to the surrounding environment, and provide social benefits to the surrounding community. This can build a positive image for the company and reflect the company as a healthy company, thereby increasing its value and attracting investors. Profitability oriented CSR essentially reflects a company's need to engage comprehensively with the local community. The implementation of CSR represents a company's response to the impacts of its products and serves as an effort to enhance the economy by improving the quality of life of employees and their families, the surrounding community, and society at large. The greater a company's commitment to environmental responsibility, the higher its potential to strengthen its image and boost sales. If sales increase and the company operates smoothly, its value will also increase. This will lead investors to believe that CSR offers more secure and sustainable prospects (Salsiah & Basmar, 2023).

This model posits that CSR extends beyond social and environmental impacts to generate significant business benefits, whereby effective CSR practices can enhance profitability and, consequently, overall firm value.

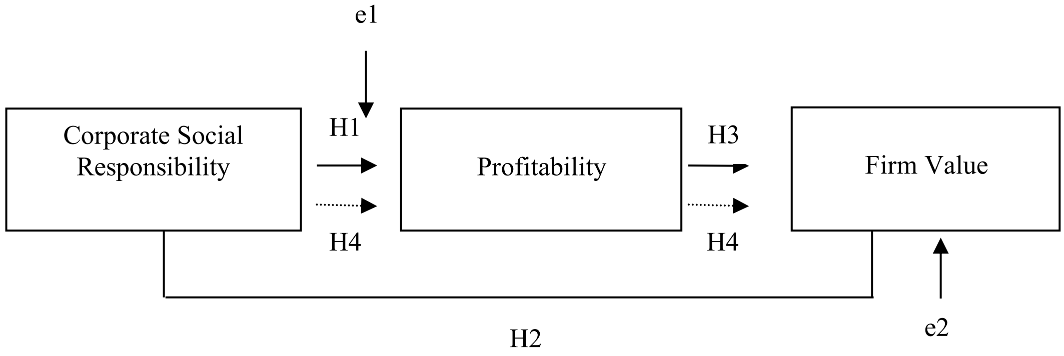

Figure 1. Research Framework

METHODS

This study adopts an explanatory quantitative research design, which involves hypothesis testing to explore causal relationships between variables. Explanatory quantitative research seeks to identify and explain cause-and-effect dynamics among two or more variables using numerical data and statistical methods. The study population comprises 89 energy sector companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2023. Based on purposive sampling criteria, a total of 15 companies were selected, resulting in 45 firm-year observations. The selection criteria for the sample included: (a) companies operating in the energy sector and listed on the IDX during the 2021–2023 period; (b) availability of annual and sustainability reports for the same period; and (c) completeness of data for the variables analyzed from 2021 to 2023. The primary objective of this research is to investigate the impact of Corporate Social Responsibility (CSR) on profitability, the effect of CSR on firm value, the influence of profitability on firm value, and the mediating role of profitability in the relationship between CSR and firm value. In this study, Corporate Social Responsibility (CSR) is measured using disclosure based on the Global Reporting Initiative (GRI) Indeks, Profitability is measured by the Return on Assets (ROA) indicator, and Firm Value is proxied by Price to Book Value (PBV).

A multiple linear regression model is deemed robust and reliable when it satisfies the BLUE criteria, which stands for Best Linear Unbiased Estimator. Requirements and classical assumptions. In this study, not all classical assumption tests were performed, considering that the research data is panel data (Basuki & Prawoto, 2017). Gujarati and Porter (2012) explain that the method of estimating a panel random effect model using generalized least squares (GLS) means it is not necessary to fulfill classical assumptions, while for the estimation of common effect and fixed effect panel models using ordinary least squares (OLS), classical assumptions are necessary. Furthermore, in the estimation model using OLS, classical assumption tests are sufficient with autocorrelation and heteroscedasticity tests, while multicollinearity tests are not necessary, considering that the research data is panel data, so the possibility of multicollinearity is very small.

The regression equations used in this study are as follows:
Model 1 : $ROA_{it} = \beta_0+\beta_1 CSR_{it}+\epsilon_{it}$
Model 2 : $PBV_{it} = \beta_0+\beta_2 CSR_{it}+\beta_3 ROA_{it}+\epsilon_{it}$

The classical assumption test is used in cases where there are more than two independent variables. The purpose of this test is to determine whether the data of the variables to be analyzed in the study meets the requirements of the classical assumption test. Good research (using a linear regression model) is defined as data that meets the classical assumptions, according to Al-Tabani (2015). If the data fails this test before analysis, the results of the hypothesis analysis will be biased.

The t-statistic test aims to determine the effect of the independent variable on the dependent variable by looking at a significance level of 0.05 with the following hypothesis:
H0 = The independent variable does not affect the dependent variable
H1 = The independent variable affects the dependent variable

Determination of the acceptance area uses a t-test, where the critical point can be found in the t-distribution table and an error rate of 0.05 with degrees of freedom (df) = n-k, n = number of observation data, and k = number of variables.

To understand the mediating role of profitability, it is necessary to test the hypothesis using the Sobel test. This test aims to determine the indirect effect between the independent variables,

namely CSR, firm value as the dependent variable, and profitability as the mediating variable. The Sobel test formula is as follows (Sobel, 1982; Baron & Kenny, 1986):
$Z = (a \times b) / \sqrt{[(b^2 \times SE\_a^2) + (a^2 \times SE\_b^2)]}$
Description:
a = coefficient from CSR to Profitability
b = coefficient from Profitability to Firm Value
SEa = standard error of a
SEb = standard error of b

RESULTS AND DISCUSSION

The initial step in determining the best model to use is to estimate the panel data model for each research model, including the Common Effect Model, Fixed Effect Model, and Random Effect Model. Table 4.1 presents the model estimation results below:

Table 1 Model Estimation Results

Model	Uji Chow (CEM/FEM)	Uji Hausman (FEM/REM)	Uji LM (CEM/REM)	Kesimpulan
	Sub-Structural Model 1			
Independent Variable: CSR Dependent Variable: ROA	0,000	0,929	0,000	*Random Effect Model*
Results	Selected FEM	Selected REM	Selected REM	
	Sub-Structural Model 2			Kesimpulan
Independent Variables: CSR, ROA Dependent Variable: PBV	0,037	0,172	0,789	*Common Effect Model*
Results	Selected FEM	Selected REM	Selected CEM	

Referring to the results presented in Table 1 for Sub-Structural Model 1, which examines the effect of CSR on profitability, the Chow Test yields a probability value of 0.0000—below the 0.05 threshold—indicating that the Fixed Effect Model is initially favored. However, the subsequent Hausman Test, as also shown in Table 4.1, produces a probability value of 0.9293, exceeding 0.05, thereby suggesting that the Random Effect Model is more appropriate. Given the discrepancy between the outcomes of the Chow and Hausman tests, the Lagrange Multiplier (LM) Test is employed to determine the most suitable model. The LM Test results, as reflected in the Breusch-Pagan value of 0.0000 ($p < 0.05$), confirm that the Random Effect Model is the preferred specification for this analysis.

In Table 4.1, Sub-Structural Model 2—which examines the effect of CSR and profitability on firm value—the Chow Test produces a probability value of 0.0370, which is below the 0.05 significance level, indicating that the Fixed Effect Model is initially selected. However, the Hausman Test, also shown in Table 4.1, yields a probability value of 0.1717, which exceeds 0.05, suggesting that the Random Effect Model is more appropriate. Given the inconsistency between these two tests, the Lagrange Multiplier (LM) Test is employed to determine the most suitable model between the Fixed and Random Effect Models. The LM Test results, represented by a

Breusch-Pagan value of 0.7887 (greater than 0.05), indicate that the Common Effect Model is the most appropriate for this analysis.

Furthermore, the multicollinearity test for Sub-Structural Model 2 reveals a correlation coefficient of –0.170 between CSR and profitability, which is well below the 0.80 threshold, suggesting the absence of multicollinearity. Additionally, the heteroscedasticity test results show probability values of 0.602 for CSR and 0.963 for profitability, both exceeding the 0.05 significance level, indicating that the model is free from heteroscedasticity.

Hypothesis Testing

Table 2 Results of the t-statistic test

Model	Coefficient	Std.Error	t	Sig	Results
Sub-Structural Model 1					
(constant)	0,503	0,123	4,101	0,000	
CSR	-0,019	0,014	-1,345	0,186	Not Significant
Sub-Structural Model 2					Results
(constant)	0,499	0,185	2,708	0,010	
CSR	0,009	0,019	0,456	0,650	Not Significant
ROA	1,389	1,192	7,249	0,000	Significant

The regression analysis results in Table 2 reveal several important findings. First, the effect of CSR on profitability shows a significance value of 0.186, which is greater than the 0.05 significance level, indicating that CSR does not have a significant impact on profitability. Second, the effect of CSR on firm value yields a significance value of 0.650, also exceeding the 0.05 threshold, suggesting that CSR has no significant direct effect on firm value. In contrast, the effect of profitability on firm value presents a significance value of 0.000, which is below the 0.05 level, confirming that profitability significantly contributes to enhancing firm value. Based on these statistical results, the regression equations for the two models are obtained as follows:

Model 1 : ROA =0.503 - 0.019(CSR) + 0,123

Model 2 : PBV =0.499 + 0.009(CSR) + 1.389(ROA) + 0,185

Mediation Test

The Sobel test is used to test the significance of mediation effects in intervariable relationship models, particularly in mediation analysis. This test helps determine whether the mediating variables significantly influence the influence of CSR variables on firm value. The Sobel test formula is as follows (Sobel, 1982; Baron & Kenny, 1986) :

$Z = (-0{,}019 \times 1{,}389) / \sqrt{[(1{,}389^2 \times 0{,}014^2) + (-0{,}019^2 \times 0{,}192^2)]}$

$Z = -0{,}0264 / 0{,}0004$

$Z = 0{,}0198$

The calculated t value is -1.33 < t table 2.02, so Ha is rejected and H0 is accepted, meaning that CSR does not affect firm value through profitability.

Discussion

The Influence of CSR on Profitability

The results of the hypothesis test indicate that CSR does not affect firm value. A company's CSR efforts have the potential to increase stakeholder trust and customer loyalty, thereby improving long-term financial performance. However, the smaller impact of CSR on profitability may be due to the time it takes for CSR investments to truly contribute to profitability (Pratiwi et al., 2021). In signaling theory, CSR can be a positive signal for a company. However, if the signal is weak, distrusted, or inconsistent with market needs, CSR will not significantly impact ROA. Therefore, the ineffectiveness of CSR on ROA may occur because the signal from CSR activities is unable to influence stakeholder perceptions or decisions, especially in the short term. In line with research Hartanto et al., (2025) Although CSR can improve a company's image, its impact on profitability is not significant because the high costs associated with implementing CSR programs can reduce net profit in the short term Salsiah & Basmar, (2023) lack of effective supervision by management and lack of corporate awareness in disclosing its social responsibilities, so that in the end it does not have an impact on profitability.

The Influence of CSR on Firm Value

The results of the hypothesis test indicate that CSR does not affect firm value. The impact of CSR activities is usually not immediately felt, as the benefits emerge only in the long term, such as improved reputation, customer loyalty, or public trust. However, firm value, as reflected in stock prices, is often influenced by short-term factors or current market conditions. Therefore, even if a company implements CSR, the results may not be visible in an increase in firm value in the near term. Rini et al., (2022) CSR activities in Indonesia are mandatory, meaning they are a company's effort to convince consumers to choose the products they offer. Therefore, the amount of CSR activities will not influence consumers' decisions to purchase the company's products. In this study, CSR did not impact company profitability, as these CSR activities will be felt in the long term, affecting the company's reputation. Firdauzi et al., (2024) CSR is considered a form of social and environmental investment that can improve a company's image, increase customer loyalty, and mitigate reputational risk. The positive impact of CSR is not directly visible on a company's value. Even when companies transparently and consistently disclose their good corporate social responsibility (CSR) performance, the positive impact of these CSR activities often does not significantly impact firm value. Markets and investors tend to consider changes in global energy prices as a determining factor in a company's revenue, profitability, and long-term prospects. This is in line with research findings Damara et al., (2019) ; Sipahutar, (2025) ; Salsiah & Basmar, (2023).

The Influence of Profitability on Firm Value

The findings of this study demonstrate that profitability has a significant effect on firm value. In the context of signaling theory, profitability functions as a positive indicator that conveys a company's financial condition and future outlook to investors. Firms are expected to communicate their financial strength effectively, and one of the key metrics used to reflect this is Return on Assets (ROA), which captures a company's efficiency in utilizing its total assets to generate earnings. A high ROA is generally perceived as a strong signal of sound operational performance and robust financial standing, thereby enhancing the firm's appeal to potential investors (Novega & Siswanti, 2024). As a core financial variable, profitability plays a crucial role in shaping firm value; irrespective of its magnitude, changes in profitability tend to influence a company's market valuation (Rini et al., 2022). These findings are consistent with previous studies by Damara et al., (2019), Sholichah & Puspawati, (2023), Firdauzi et al., (2024), Bhaktiar & Hermawan, (2024) which similarly highlight the positive relationship between profitability and firm value.

The Influence of CSR on Firm Value through Profitability

CSR does not influence firm value through profitability. Profitability is not a mediating variable between CSR and firm value because CSR does not directly increase profitability. While CSR can improve reputation, not all reputational improvements directly impact profitability. CSR improves image, but it does not generate additional revenue or significantly reduce operating costs. Sholichah & Puspawati, (2023) CSR encompasses a wealth of information about economics, social issues, the environment, society, and responsibility. Comprehensive and systematic product information alone is not enough to help a company gain a competitive edge in the market and enhance its business excellence and competitiveness. Hartanto et al., (2025) CSR impacts focus more on creating long-term value through reputation and consumer loyalty rather than immediate improvements.

CONCLUSION

Based on the analysis of data from energy sector companies from 2021 to 2023, This study finds that CSR implementation does not significantly affect firm value with profitability as a mediating variable. Although CSR is a company strategy for building a positive image and enhancing long-term sustainability, these findings indicate that in the context of energy companies during this period, CSR activities were not able to create a strong enough financial impact to increase profitability and ultimately did not contribute to increasing firm value. This study has several limitations, including its focus solely on the energy sector and a relatively short observation period, which may limit the generalizability of the findings. Theoretically, the results contribute to the academic debate on the role of CSR in value creation by highlighting the importance of considering sectoral and temporal contexts when examining CSR effectiveness. Practically, the findings suggest that managers in the energy sector should critically evaluate the design and implementation of CSR programs to ensure better alignment with financial performance objectives. Further research is recommended to add other variables that may act as mediators or moderators, such as operational efficiency, company reputation, or investor awareness of environmental issues, to more comprehensively understand the relationship between CSR and firm value. Expanding the research scope to other sectors outside of energy, or extending the observation period, will allow for more generalizable results and reflect long-term trends.

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