E-ISSN 3089-1566
Proceeding Accounting, Management, Economics Uniska Volume 2, 2025, pp 81-96
"The Role of Research in Economics, Management, Accounting to Realizing Sustainable Development"

Analyzing CSR and GCG Impact on Financial Performance through Intellectual Capital: A Literature Review

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ABSTRACT

This study uses intellectual capital as a mediating variable to examine how corporate social responsibility (CSR) and good corporate governance (GCG) affect a company's financial performance. This study examines numerous empirical studies produced between 2020 and 2025 using a literature review methodology. The study's findings demonstrate that GCG and CSR both directly and indirectly improve financial performance through Intellectual Capital (IC). Effective CSR can strengthen trust and corporate image. Good governance can improve the efficiency and transparency of corporate management. Meanwhile, IC can transform social and governance practices into competitive advantages. In general, a company's financial performance can be enhanced by integrating CSR, GCG, and IC. To get comprehensive results, more research is advised to empirically investigate the mediation of IC in the relationship between CSR and GCG on financial performance.

INTRODUCTION

Amidst fierce business competition, a company's performance is not only measured by its ability to generate profits, but also by how it creates value for its stakeholders. Today, investors and the public assess a company's performance not only from its financial reports, but also from its social responsibility, governance, and ability to manage its intellectual resources. Therefore, the implementation of *Corporate Social Responsibility* (CSR), *Corporate Governance* (GCG)*,* and *Intellectual Capital* (IC) are important factors that influence a company's financial performance.

Corporate Social Responsibility (CSR) reflects a company's obligations to society and the environment through active involvement in CSR activities that can generate long-term benefits. (Chiaramonte et al., 2022). The implementation of Corporate Social Responsibility (CSR) has become a key strategy for building reputation and improving corporate financial performance. According to (Jackson et al., 2023) CSR not only plays a role in fulfilling corporate social responsibility, but also acts as a catalyst for sustainable economic growth. This is in line with the opinion (Al Bukhori & Sisdianto, 2025) which states that companies that implement CSR have a significant competitive advantage, both in terms of public image and financial performance. However, there are a number of challenges in implementing CSR. One of the main challenges is the gap in understanding of the concept of CSR in various sectors, especially in developing countries (Jackson et al., 2023). In some developing countries, awareness of the importance of CSR is still low, and many companies view CSR as an additional burden rather than an opportunity to create long-term value (Cai & Song, 2022). Some companies may view CSR as an additional obligation without seeing its strategic potential in supporting economic and social sustainability (Sabolak et al., 2024).

Corporate Social Responsibility (CSR) mencerminkan kewajiban perusahaan terhadap masyarakat dan lingkungan melalui keterlibatan aktif dalam kegiatan CSR yang dapat menghasilkan manfaat jangka Panjang Penerapan *Corporate Social Responsibility* (CSR)

Corporate Social Responsibility (CSR) reflects a company's obligations to society and the environment through active involvement in CSR activities that can generate long-term benefits g Implementation of Corporate Social Responsibility (CSR) The effectiveness of CSR implementation cannot be separated from the corporate governance system. Good Corporate Governance (GCG) plays an important role in ensuring transparency, accountability, and integrity in corporate management, thereby increasing corporate efficiency and investor confidence. By implementing good GCG principles, companies are expected to be able to minimize risks, optimize decision-making, and increase competitiveness (Natasya & Soeratin, 2024). Companies with good governance will protect stakeholders and be able to provide benefits for the company (Permata Sari, 2021) . However, the implementation of corporate governance in Indonesia is often merely a formality, simply fulfilling regulations without any real commitment to transparency and accountability. This phenomenon of weak governance can be seen in several large companies in Indonesia, one of which is the largest tin company in Indonesia, PT Timah Tbk, which has caused state losses of more than Rp300 trillion (Vanlentera Kasih Berlinda Sudjianto et al., n.d.). This case shows that even though governance has been implemented, the supervisory functions of the audit committee and independent commissioners have not been optimal in preventing abuse of authority and conflicts of interest.

The audit committee, as one of the indicators of GCG, plays an important role in corporate governance, particularly in improving management oversight so that the board of directors becomes more effective (Klein, 2002; Smith Report, 2003; Leptospira, 2003). However, in practice, many audit committees do not yet have the independence and competence to effectively perform their oversight function. Meanwhile, independent commissioners, who are supposed to act as a counterbalance to management, often serve only a symbolic function without significant influence on decision-making. In addition, low managerial ownership also weakens the alignment of interests between management and shareholders, which can increase the potential for agency conflicts and reduce the effectiveness of GCG implementation.

These conditions indicate that the implementation of CSR and GCG has not been fully able to contribute to an increase in the company's financial performance. This highlights the importance of looking at other factors that strengthen the relationship between these two variables. Intellectual Capital (IC) is a potential mediating variable. Intellectual Capital is an intangible asset that includes human capital, structural capital, and relational capital. GCG and CSR practices play an important role in managing a company's Intellectual Capital. GCG ensures that management utilizes IC effectively, while CSR strengthens IC components, such as structural capital, human resources, and reputation (Zaharani & Aisyah, 2025). Companies with good governance and consistent CSR activities usually also have strong IC management, which leads to improved company financial performance.

A company's ability to manage its intellectual capital, governance, and social responsibility is gauged by its financial performance. A company's capacity to maximize all of its resources in order to accomplish sustainable economic goals is reflected in its financial

E-ISSN 3089-1566
Proceeding Accounting, Management, Economics Uniska **Volume 2, 2025, pp 81-96**
"The Role of Research in Economics, Management, Accounting to Realizing Sustainable Development"

performance. Thus, it is crucial to examine how CSR and GCG affect financial performance and how IC functions as a mediating component in this relationship.

The three primary theories used in this study are Resource-Based View (RBV) Theory, Stakeholder Theory, and Agency Theory. The connection between GCG and financial performance can be explained in part by agency theory. According to agency theory, corporate governance seeks to reduce conflicts of interest and enhance financial performance by aligning the interests of managers and shareholders through supervision and incentive mechanisms. Meanwhile, stakeholder theory is important for explaining the relationship between CSR and financial performance. Stakeholder theory states that companies must pay attention to all stakeholders, not just shareholders. Company participation in CSR activities can be a mechanism for meeting stakeholder needs and supporting the company's sustainability and long-term performance. Meanwhile, according to (Jafari-Sadeghi et al., 2021). Because it strengthens the connection between a company's resources and its dynamic capabilities, RBV theory is crucial for organizational financial performance. Additionally, (Asriani et al., 2024) contend that organizational capabilities and resources affect long-term financial performance and competitive advantage.

The link between CSR, GCG, and financial performance has yielded conflicting results, according to earlier research. Studies that look at the connection between company financial performance, IC, GCG, and CSR in a single integrated framework are still scarce, nevertheless. A thorough grasp of these three elements is essential since, in reality, corporate governance and social responsibility management not only improves financial performance but also raises the caliber of the organization's intellectual assets.

Research (Farooq et al., 2025) found that CSR has a significant positive effect on financial performance as proxied by Return On Assets (ROA) and Return On Equity (ROE). This study is in line with research (Kamilah et al., 2025) And (Gharbi & Jarboui, 2024) which found that CSR has a significant impact on corporate financial performance. However, unlike previous studies (Mohammed et al., 2025) which found that CSR has no significant impact on corporate financial performance. This inconsistency indicates the existence of other variables that may mediate the relationship between CSR and financial performance, one of which is Intellectual Capital.

Research (Kamilah et al., 2025) found that CG has a negative effect on company financial performance. Research (Shahwan & Fathalla, 2020) found that CG has a positive effect on corporate financial performance. According to research (Affes & Jarboui, 2023) CG has a positive and significant effect on financial performance, with the extent of the impact varying depending on the industry sector. Meanwhile, research (Elafi et al., 2025) found that not all CG indicators have a positive impact on financial performance, thereby reinforcing the assumption that there are other variables that act as intermediaries, one of which is Intellectual Capital.

A review of the existing literature shows that the mediating role of IC in the relationship between CSR and financial performance, and CG and financial performance, has rarely been studied. Only a few studies (Farooq et al., 2025), (Nirino et al., 2022), (Shahzad et al., 2022) which examines the role of IC as a mediator between CSR and financial

E-ISSN 3089-1566
Proceeding Accounting, Management, Economics Uniska Volume 2, 2025, pp 81-96

performance. And only research (Shahwan & Fathalla, 2020) , (Jalih et al., 2024) which examines the role of IC as a mediator between CG and financial performance.

The inconsistency of previous research results and the limitations of studies examining the mediating role of intellectual capital prompted researchers to conduct further studies. This study aims to comprehensively analyze the influence of CSR and GCG on financial performance with IC as a mediating variable. The results of this study are expected to provide a deeper understanding of the relationship between social responsibility, governance, and intellectual value in supporting corporate sustainability, while filling the empirical gaps that still exist in the previous literature.

LITERATURE REVIEW

Corporate Social Responsibility (CSR)

CSR is defined by the World Business Council for Sustainable Development (WBCSD) as the business community's ongoing commitment to act morally, legally, and economically, as well as to enhance the quality of life for workers and their families, local communities, and society at large. Benefits from effective CSR implementation include enhanced customer loyalty and public perception, which can eventually boost the business's long-term performance. Therefore, CSR serves as a strategic tool that not only fulfills social responsibilities but also strengthens the company's competitiveness and sustainability in the long run.

Good Corporate Governance (GCG)

GCG is generally defined as a system of corporate control and regulation. GCG refers to actions taken by company executives to avoid harming stakeholders, as GCG is closely related to morality, work ethics, and good working principles. The Forum for Good Corporate Governance Indonesia (FCGI) defines GCG as a set of regulations governing the relationship between shareholders, company management, creditors, employees, the government, and other internal and external stakeholders in relation to their rights and obligations.

Effective implementation of GCG can reduce potential agency conflicts between managers and shareholders as explained in agency theory. With a good monitoring system, GCG can ensure that actions taken by management remain in line with shareholder expectations. In addition, GCG also plays an important role in enhancing the company's reputation, building investor confidence, and maintaining the integrity of the company's financial reports, which can ultimately improve the company's performance.

Intellectual Capital (IC)

IC is defined by Edvinsson & & Malone (1997) as a group of intangible assets derived from business knowledge that help create value for the organization. In the meantime, Stewart (1997) defines intellectual capital as a resource in the form of knowledge backed by information processes to build connections with outside parties in order to produce assets and financial gains for the business in the future. According to Bontis (1998) Intellectual capital encompasses all employee knowledge, organizational knowledge, and their ability to create added value and generate sustainable competitive advantage.

Financial Performance

According to Fahmi from Longdong & Tawas (n.d.) , a company's financial performance is reviewed to see how well it has complied with regulations. The financial performance of a firm reflects management's capacity to manage resources to generate profits, maintain the company's economic balance, and increase the company's value. Financial success can also be viewed as an indicator of how well management executes plans and the company's commitment to its stakeholders.

Agency Theory

Agency theory, according to (Jensen & Meckling, 1976) , describes the contractual relationship between managers and shareholders. According to this view, shareholders give managers the power to operate the business in the hope that they will act in the owners' best interests. However, agency conflicts may result from divergent interests. The idea of GCG as a system of management control and supervision to guarantee that managers continue to behave in the interests of shareholders emerged from the need for suitable monitoring and incentive concepts to reduce the possibility of such conflicts (Fama & Jensen, 1983).

Stakeholder Theory

The stakeholder theory developed by Freeman states that the sustainability of a company depends not only on the interests of shareholders, but also on the company's ability to meet the expectations of all stakeholders. (Freeman, 2015). According to (Wardani & Lestari, 2022) Companies should not only operate for personal gain but also consider the interests of stakeholders. The support of stakeholders is crucial for the progress of a company.

The stakeholder theory is normative in character since it stresses that businesses have a duty to consider the wellbeing of all stakeholders (Donaldson & Preston, 1995). As a result, this theory serves as the primary foundation for the application of corporate social responsibility (CSR), which involves engaging in social and environmental initiatives as a way for businesses to take responsibility for the effects of their operations on the community and the environment. Furthermore, according to this hypothesis, organizations that actively participate in CSR initiatives can improve their reputation, build stronger relationships with stakeholders, and gain a competitive edge—all of which will eventually improve their financial performance (Mcwilliams & Siegel, 2001).

Resource-Based View Theory (RBV)

According to Penrose (1959), a company's advantage is gained through its ability to efficiently utilize its internal resources. This aims to create opportunities for expansion and sustainable growth. Barney (1991) emphasizes that competitive advantage can be achieved if a company has resources that are valuable, rare, difficult to imitate, and not easily replaced.

E-ISSN 3089-1566
Proceeding Accounting, Management, Economics Uniska Volume 2, 2025, pp 81-96

Based on RBV theory, companies can generate value when they successfully maximize the utilization of their resources, both tangible and intangible, such as intellectual capital, through effective management (Adilia & Suwandi, n.d.) . According to (Agustina & Effendy, n.d.) , the Resource-Based View theory explains that every company has different resources, and if managed properly, such as intellectual capital, which is a unique resource, it can create competitive advantages and improve financial performance and company value.

METHODS

The method used in this study is a literature review. This study examines numerous empirical studies produced between 2020 and 2025. A literature review, according to (Thomas et al., 2020), is a procedure that entails examining, summarizing, and considering a number of papers pertinent to the subject at hand. Since the goal of this research is to develop a conceptual framework of the relationship between variables, particularly to explain the mediating role of intellectual capital in the relationship between corporate social responsibility and good corporate governance (GCG) on financial performance, a literature review was selected.

RESULTS

	Title	Authors	Year	Result
1	Corporate social responsibility and firm financial performance: the role of intellectual capital	Muhammad Farooq and Hassan Mujtaba Nawaz Saleem	2025	The results show that CSR has a significant positive effect on ROA and ROE. CSR also has a significant positive effect on IC. IC has a significant positive effect on financial performance. It was found that IC mediates part of the relationship between CSR and financial performance.
2	The Impact Of Intellectual Capital On Financial Performance In Information Technology And Telecommunications Firms	Duke, K. H., Tai, D. D., & Howe, N. W.	2025	The results show that IC significantly contributes to the increase in ROA and Tobin's Q. IC has a positive impact on ROA, ROE, and Tobin's Q.
3	Corporate social responsibility (CSR) and corporate financial performance (CFP): a panel data analysis of BSE 500 companies in India	Mohammed, S.S., Saeed, M.M., Kumari, M. et al.	2025	The findings demonstrate that financial performance is not much impacted by CSR. The study's findings demonstrate that a number of control variables had a substantial impact, including Firm Size and Capital Employed, which were found to have a significant positive impact on CFP despite the primary hypothesis being denied.
4	Corporate Governance and Cash Holdings Through Financial	Husadha C., Hasanuddin A.I., Uzliawati L., Soleha N.	2025	The percentage of independent commissioners, institutional and managerial ownership

	Performance on the Value of Food and Beverage Companies in Indonesia.			arrangements, and audit committees are indicators of corporate governance that do not significantly impact the performance or value of a corporation.
5	The Influence of Ownership Structure, the Role of Independent Commissioners, and the Size of the Audit Committee on the Extent of Intellectual Capital Disclosure	Ahmad Munir, Anna Marina	2022	The degree of intellectual capital disclosure is significantly and negatively impacted by GCG as determined by management ownership. The degree of intellectual capital disclosure is negatively and negligibly impacted by institutional ownership. The amount of intellectual capital disclosure is positively and marginally impacted by the size of the audit committee and the function of independent commissioners.
6	Mediation of Intellectual Capital: Good Corporate Governance and Return on Assets in Manufacturing Companies	Jara Hardiyanti Jalih, Lestari Adhi Widyowati, dan Inta Hartaningtyas Rani	2024	The results show that institutional ownership has no effect on ROA. Managerial ownership affects ROA. Institutional ownership affects IC. Managerial ownership does not affect IC. IC does not affect ROA. IC is unable to mediate the relationship between the variables of institutional ownership and ROA. IC is also unable to mediate the relationship between the variables of managerial ownership and ROA.
7	The Influence of Intellectual Capital, Managerial Ownership, and Institutional Ownership and Financial Performance	Muhammad Wildan Affan, Novitasari Agus Saputri, Akbar Alifiani Prianto	2023	The results show that IC affects ROE. Managerial ownership does not affect ROE, and institutional ownership affects financial performance.
8	Good Corporate Governance toward Intellectual Capital	Muhammad Abdul Muis dan Satria Adhitama	2022	The findings indicate that the audit committee variable significantly and favorably affects IC. IC is negatively but negligibly impacted by the board of directors. In the meanwhile, IC is positively but marginally impacted by the board of commissioners. Concurrently, the dependent variable, intellectual capital, is positively and significantly impacted by the independent variables, which are the audit committee, board of directors, and board of commissioners.
9	The role of corporate	Kamilah F., Meutia,	2025	The findings demonstrate that the

E-ISSN 3089-1566
Proceeding Accounting, Management, Economics Uniska Volume 2, 2025, pp 81-96
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	governance mechanisms, debt policy, profitability, and corporate social responsibility in strengthening company financial performance	Bastian E., Muchlish M.		audit committee has a detrimental impact on financial performance as determined by Tobin's Q. Tobin's Q is unaffected by independent commissioners. Tobin's Q is positively impacted by DER. Tobin's Q is significantly impacted by profitability as determined by ROA. Tobin's Q is positively impacted by CSR.
10	The Mediating Role of Intellectual Capital in Corporate Governance and the corporate performance relationship	Tamer Muhamed Shahwan, Muhamed Mahmoud Fathalla	2020	The findings demonstrate that CG improves IC and business performance (Tobin's Q & Operating Efficiency Ratio). IC does not mediate CG with Tobin's Q, but it does mediate a portion of the link between CG and OE. About the bi-causal connection between TQ and CG.
11	The impact of corporate governance on financial performance: a cross sector study	Wajdi Affes, Anis Jarboui	2023	The findings demonstrate that CG scores significantly and favorably affect financial performance (ROE), however the degree of this influence varies by industry sector.
12	The impact of corporate social responsibility on firm financial performance: does corporate governance matter?	Manel Gharbi and Anis Jarboui	2024	The findings demonstrate that CSR significantly improves financial success. The correlation between financial performance and CSR is positively moderated by CG. Businesses that report on CSR are more successful investors.
13	Corporate governance and financial performance: What is the relationship? The case of Moroccan companies listed on the stock exchange.	Elafi, R. ., Jouali, Y. ., & Mohammed, S.	2025	The findings demonstrate that financial performance is positively impacted by the makeup of the board of directors. The performance of the company is significantly impacted negatively by the age of the board of directors. ROA and ROE are negatively impacted by company size. The financial success of the company is also negatively impacted by the frequency of board meetings.
14	Strengthening bank performance: The nexus between corporate governance, capital structure, and financial stability.	Diansari, R.E., Uyob, S., Saputri, L.D., Othman, J. B., Budiarto, D. S., & Nustron, L. A	2025	ROA and ROE are positively and significantly impacted by CGC, as determined by the Composite Self Assessment from Banks. These results support the notion that transparent, effective, and well-managed banks typically perform well financially. CGC operates by increasing operational effectiveness and cutting agency expenses.
15	The Role of Intellectual	Sheila Adriani,	2022	The findings indicate that IC is

	Capital Mediation in Corporate Governance on Performance and Value Companies in Indonesia	Herusugondo		significantly impacted by Board Size, Board of Directors, and Board of Commissioners; however, Board Size has a negative impact on IC, while the Board of Directors and Board of Commissioners have a positive impact. Tobin's Q is significantly impacted negatively by IC, but ROE is positively and significantly impacted by the Board of Commissioners, the Audit Committee, and IC. Additionally, this study finds that IC can bridge the gap between ROE as a measure of business performance and board size as a component of corporate governance.
16	Intellectual capital: the missing link in the corporate social responsibility–financial performance relationship	Niccolo Nirino, Alberto Ferraris, Nicola Miglietta, Anna Chiara Invernizzi	2020	The findings indicate that the association between CSR and financial performance is somewhat mediated by IC. A company's IC is positively impacted by CSR implementation, which enhances long-term financial performance and competitive advantage.

DISCUSSION

The Relationship between CSR and Financial Performance

CSR is a business approach to improve social legitimacy, public trust, and reputation, all of which eventually improve the company's financial success. Companies try to show their dedication to sustainability ideals by actively participating in social events. In addition to strengthening ties with stakeholders, CSR implementation helps a business increase its market share, boost its financial performance, and enhance its reputation with investors.

Research (Farooq et al., 2025) provides empirical evidence of the positive relationship between CSR and financial performance. This study finds that CSR has a positive effect on ROA and ROE, and the results of Tobin's Q test as a robust test show consistent results. These results indicate that the implementation of CSR increases the economic value of the company through improved operational efficiency, enhanced reputation, and good relationships with stakeholders.

Research (Kamilah et al., 2025) also showed similar results. This study found that CSR has a positive effect on financial performance, with Tobin's Q as the measurement indicator. The results of this study show that high CSR disclosure receives a better market assessment. High CSR disclosure is considered to demonstrate a commitment to sustainability and social risk management, thereby increasing investor confidence and balancing the company's long-term finances.

Research supports these conclusions (Gharbi & Jarboui, 2024). The study's findings show that business financial performance, as determined by ROA, ROE, or Tobin's Q, is significantly improved by CSR. In this study, corporate governance's (CG) moderating influence strengthens the link between CSR and financial performance. This implies that businesses can successfully implement CSR and reap better financial rewards if they have strong supervision systems and are transparent.

These findings are reinforced by research The results of this study indicate that CSR has a significant positive effect on corporate financial performance, whether measured using ROA, ROE, or Tobin's Q. In this study, the relationship between CSR and financial performance is reinforced by the moderating effect of corporate governance (CG). This means that companies with good oversight structures and transparency can implement CSR effectively, thereby providing greater economic benefits.

Unlike previous findings, the study (Mohammed et al., 2025) showed different results. In this study, CSR had no significant effect on financial performance as measured by ROA, ROE, Tobin's Q, and NPM. CSR in this study was measured using the actual amount of funds spent on social activities. These findings indicate that the amount of expenditure on CSR is not proportional to the increase in financial performance, provided that these activities are not carried out effectively.

Overall, the study's findings show that CSR plays a significant role in raising a business's financial performance. A company's financial success will be positively impacted by the positive image, customer loyalty, and harmonious relationships that can be created through effective CSR implementation. As a result, corporate social responsibility (CSR) is both a social endeavor and a business strategy.

The Relationship between GCG and Financial Performance

Research (Diansari et al., 2025) Research on the banking sector in Indonesia shows that GCG has a significant positive effect on corporate financial performance as measured by ROA and ROE. In this study, GCG was measured using a composite self-assessment. The results show that good governance can improve operations and reduce agency costs. With strict supervision, management can allocate company resources optimally, thereby increasing the company's profitability.

The results are in line with study by Shahwan & Fathalla (2020), which discovered that financial performance as determined by Tobin's Q and Operating Efficiency Ratio is positively impacted by GCG as measured by the Corporate Governance Index (CGI). Additionally, research by Elafi et al. (2025) demonstrates that a number of GCG mechanisms significantly impact the financial success of businesses. The study's findings show that ROA and ROE are positively impacted by the makeup of the board of directors. Financial performance is negatively impacted by the frequency of board meetings.Meanwhile, the size of the board of directors and the age of board members have a negative effect on the company's financial performance. This finding reflects that the effectiveness of GCG depends not only on the structure of the board, but also on the quality of independence and supervision.

E-ISSN 3089-1566
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Meanwhile, research (Kamilah et al., 2025) shows that audit committees have a negative impact on financial performance. Meanwhile, independent commissioners do not have a significant impact on the company's financial performance. These findings indicate that audit committees that are merely formalities, without in-depth supervision of financial reports and operational risks, cannot improve the company's financial performance. It can be concluded that the effectiveness of GCG depends on the quality of the implementation of its functions.

Research results from (Husadha et al., 2025) shows different results. GCG does not have a significant effect on financial performance or company value. These results reflect that GCG practices in Indonesia are still normative in nature or merely comply with regulatory requirements without being followed by a strong managerial commitment to improve the company's financial performance.

Overall, these studies show that GCG has a positive effect on financial performance, especially when the principles of transparency, accountability, and responsibility are fully implemented in the company. Effectively implemented GCG can improve operational efficiency, increase investor confidence, and reduce agency costs, thereby contributing to improved corporate financial performance and corporate value. However, the effectiveness of GCG is inseparable from the quality of implementation and management commitment. When GCG is implemented only as a formality, it will not have a significant impact on financial performance. Thus, the success of GCG in improving financial performance is not determined by the governance structure, but by consistency, independence, and integrity in its implementation.

The relationship between CSR and IC

CSR is a company's commitment to contribute to social and environmental sustainability. The implementation of CSR is not only felt by external parties, but also internally within the company in the form of increased knowledge, reputation, and relationships with stakeholders. This is reflected in IC, which includes human capital, structural capital, and relational capital. Consistent implementation of CSR contributes to strengthening the company's capital through improved employee competence, innovation, and the reputation and trust of stakeholders.

This is supported by research from (Farooq et al., 2025) which found that CSR has a positive effect on IC. The implementation of CSR can encourage companies to invest more in human resources. Effective CSR can strengthen human capital through employee training, improve structural capital through adaptive company systems, and enhance relational capital through positive image and customer loyalty.

These results are consistent with research (Nirino et al., 2022) which found that the tangible and sustainable implementation of CSR can improve IC, which in turn can strengthen competitive advantage and have a positive impact on long-term financial performance. CSR not only serves as a tool for social legitimacy, but also as a means of developing intangible assets that are difficult for competitors to replicate. The results show that companies that actively implement CSR tend to have more efficient IC and better financial performance.

The Relationship between GCG and IC

GCG not only focuses on corporate control, but also plays a role in building corporate intellectual capital, which includes human capital, structural capital, and relational capital. Through effective governance, companies can create a corporate environment that supports innovation and is oriented towards sustainability. This is the main foundation for the formation of intellectual capital.

Research Shahwan & Fathalla (2020) shows that GCG, as measured by board composition, audit committees, and reporting transparency, has a significant positive effect on IC. Companies with better governance have higher IC because GCG can promote the efficient use of human and structural resources. The structure of the board of directors, audit committees, and financial reporting transparency have been proven to improve company efficiency and decision-making quality. Through this, companies can develop intellectual assets that become a source of sustainable competitive advantage.

The Relationship between IC and Financial Performance

IC is often considered a determining factor in financial performance due to its ability to optimize a company's productivity and operational effectiveness. Increasing a company's intellectual capacity can create greater economic value through the utilization of knowledge, technology, and strategic relationships. This is evidenced by Farooq et al. (2025) research, which states that IC has a positive influence on a company's financial performance as measured by ROA, ROE, and Tobin's Q. The results of the study show that an increase in IC consistently strengthens a company's financial performance through resources, innovation, and the company's ability to adapt to market changes. Companies that can manage IC have higher competitiveness because knowledge and innovation are the main drivers in increasing productivity and market value.

Shahwan & Fathalla (2020) research also found a positive relationship between IC and corporate financial performance. The results showed that IC components, particularly human capital efficiency and structural capital efficiency, had a significant effect on improving operational efficiency and corporate market value. Companies that are able to manage knowledge well are able to reduce operational costs and increase net profits. These efforts can have a positive impact on corporate financial performance.

The Mediating Role of IC between CSR and GCG on Financial Performance

Research conducted by (Farooq et al., 2025) shows the mediating role of IC in the relationship between CSR and financial performance. The results show that CSR has a significant positive effect on financial performance both directly and indirectly through IC. The analysis results show that most of the influence of CSR on financial performance is linked to the strengthening of IC. In other words, companies that are active in social and environmental activities can improve their internal intellectual capabilities, which will then have a positive impact on the company's financial performance.

Efficient CSR implementation can strengthen human capital through employee engagement and improved morale. CSR implementation can also improve structural capital by enhancing the reputation and trust of stakeholders. It can also expand relational capital by improving the reputation or public image and trust of stakeholders. It can be concluded

E-ISSN 3089-1566
Proceeding Accounting, Management, Economics Uniska Volume 2, 2025, pp 81-96
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that CSR not only enhances a positive image, but also generates economic value for a company by improving the quality of IC.

Farooq et al. (2025) research emphasizes that IC plays a partial mediating role, whereby some of the influence of CSR on financial performance occurs through IC. These findings indicate that without the support of IC, CSR will only have a short-term impact on reputation. However, when linked to UC, CSR will have a long-term impact on a company's financial performance.

Meanwhile, Shahwan & Fathalla (2020) research also confirms the role of IC in linking GCG and financial performance. The results show that GCG has a significant positive effect on IC, and IC partially mediates the relationship between GCG and financial performance. In other words, good governance can encourage an increase in IC, which in turn has an impact on improving the company's financial performance.

GCG principles such as transparency and accountability can strengthen IC indicators, such as human capital, structural capital, and relational capital. Strengthening IC will have an impact on improving operational efficiency and company value. Therefore, IC has a role as a transformational mechanism that can change governance into a strategic resource that contributes positively to financial performance.

Based on these two relationships, it can be concluded that IC plays a mediating role in the relationship between CSR and GCG and company financial performance. IC strengthens the relationship between CSR and financial performance by maximizing social impact in terms of efficiency and innovation. Meanwhile, in the relationship between GCG and financial performance, IC transforms governance into internal knowledge management within the company.

CONCLUSION

This study offers a thorough knowledge of the impact of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) on financial performance, as well as the mediating function of Intellectual Capital (IC) in this relationship. CSR and GCG have a favorable impact on financial performance, both directly and indirectly through IC acting as a mediator, according to the findings of earlier research. It is challenging to directly compare the findings of this study due to variations in reporting requirements, governance quality, and assessment techniques. By employing an empirical method to examine the mediating function of Intellectual Capital (IC), future research might build upon this findings. As a result, the findings will provide a more representative explanation of how GCG and CSR affect sustainable financial performance.

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