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THE 1st INTERNATIONAL CONFERENCE ACCOUNTING, MANAGEMENT, ECONOMICS, UNISKA
*Proceeding Accounting, Management, Economics Uniska* **Volume 1, Issue 1, 2024**
"Strengthening The Role of Accounting, Management, and Economics Science In Realizing Sustainable Welfare Goals"

# The Influence of Good Corporate Governance, Corporate Social Responsibility, And Company Size On Profitability (Study On The Energy Sector In 2018-2023)

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**ABSTRACT**

Energy sector companies in the mining sub-sector in 2018-2022 experienced a decrease in Return on Equity (ROE) which resulted in poor economic performance. This study aims to identify Good Corporate Governance, Corporate Social Responsibility, and Company Size on Profitability. Researchers use quantitative research with secondary data taken from the annual reports of mining subsector energy sector companies listed on the Indonesia Stock Exchange in 2018-2023 and sustainability reports in CSR disclosure using the 2016 GRI Standard. The method in this study uses purposive sampling consisting of 11 companies. The independent variables of this study are the Independent Board of Commissioners, Audit Committee, Institutional Ownership, Corporate Social Responsibility, and Company Size. While the dependent variable uses the Profitability Ratio, namely Return on Equity. The data analysis method uses multiple linear regression analysis with SPSS 26 software with a significance level of 0.05. The results in this study indicate that the Independent Board of Commissioners, Audit Committee and Corporate Social Responsibility have no effect on Return on Equity, while Institutional Ownership has a significant positive effect on Return on Equity and Company Size has a significant negative effect on Return on Equity.

## INTRODUCTION

The current industrial era is experiencing innovation known as Industry 5.0, which is a form of industrial revolution that restructures corporate strategy, supply chains, value chains, operations and business processes, as well as ties with interested parties. One of them is the energy company will continue to be needed, because of its role in providing resources that can support daily activities in people's lives. Energy companies have a variety of products, including coal, oil and natural gas. Because these products have a high demand, energy companies play a vital role in the country's economy. With Industry 5.0, energy companies are affected by technological developments, changes in industry governance and financial statements, which are important tools for every company.

According to PSAK No. 1 Year 2022 Financial statements are a structured presentation of the financial position and financial performance of an entity. Financial reports aim to provide information about the financial data and financial performance of an entity that is useful for interested parties in making decisions (Hajar & Pratiwi, 2023). According to Wijaya, (2019) one of the financial statement ratios, namely ROE, is used as an indicator to assess financial performance over time. By monitoring changes in the company's Return on Equity (ROE) from period to period, investors gain insight into the extent of the company's ability to generate profits with the capital that has been invested (Guna et al., 2023).

According to Miranda et al., (2022) If a company's ROE has decreased, it may indicate that the management team has not succeeded effectively in utilizing company resources. On the other hand, if a company's ROE continues to increase, it indicates that management has succeeded in optimizing company resources to achieve profit (Jufri, 2023).

According to cnbcindonesia.com, (2023) There is a situation related to Financial Performance (Return on Equity) in the energy sector, namely PT Darma Henwa Tbk (DEWA), which is known to be still posting losses from the first quarter to the third quarter of 2022. The valuation of PT Dewa's financial ratios is known to be among the cheapest shares, namely Rp 56 as of Thursday, February 16, 2023, it is also shown that the Return on Equity (ROE) with a value that is quite bad at minus (-) 4.45%, which means that the company's ability to manage capital to generate profits is very low. A negative ROE indicates that the company cannot achieve profits as expected (cnbcindonesia.com, 2023).

Additional information besides experiencing a decrease in ROE, the company PT Dewa is also trying to expand as a non-coal contractor (cnbcindonesia.com, 2023). The occurrence of this situation is caused by the company's financial statements which continue to record losses, this shows that the company's expenses exceed revenue, which results in net income being minus or experiencing losses. This condition can cause it to not comply with the company's requirements in the financial statements, which can lead to financial difficulties and have an impact on the company's attractiveness to investors or its ability to obtain loans (Listyarini, 2020).

The phenomenon of the Energy Sector Financial Performance Development Chart (ROE) calculated at the Annual Average (%) in 2018-2022 is as follows:

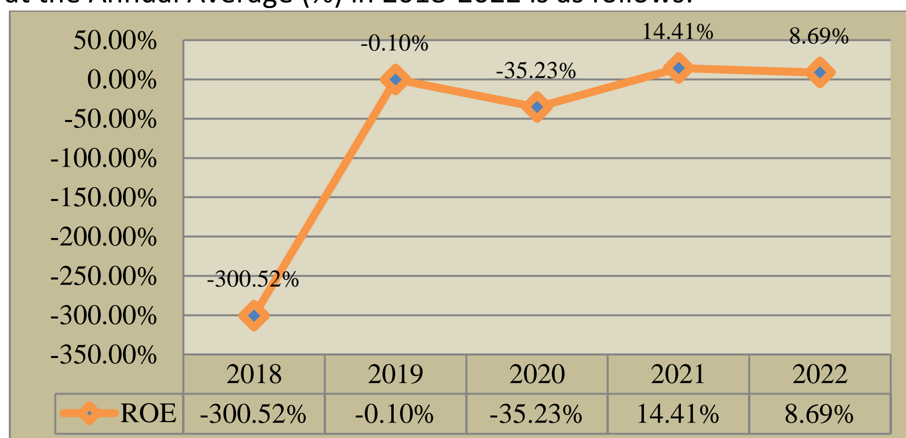


**Figure 1:** Development of Financial Performance (ROE) of the Energy Sector
**Source :** https://www.idx.co.id/id (data processed by the author, 2023)

Judging from Figure 1 related to the development of the ups and downs of the Financial Performance index using ROE in the Energy Sector for the period 2018-2022 which is measured by the annual average of all shares in the mining sub-sector energy sector. The graph data above shows that the Return On Equity of the mining subsector energy sector companies ranges from -300.52% -14.41% from 2018 to 2022. The highest percentage that occurred in 2021 was 14.41%, meaning that every 1 rupiah obtained from total equity was able to generate a profit of 0.1522 rupiah (Fadillah, 2022).

In 2019 the percentage of Return On Equity achieved by the mining sub-sector energy sector company was -0.10%, when compared to the previous year Return On Equity

decreased by -300.52%, this was due to an increase in total equity and was not followed by an increase in net profit after tax.

According to the Regulation of the Minister of State-Owned Enterprises (BUMN) No. PER-10 / MBU / 2014, a good industry standard for ROE is 25%, thus, the financial performance of the mining companies above as measured by ROE is less healthy, this is explained that the company in that year was unable to utilize Equity in making a profit.

Considering the existing problems, companies need to implement and manage good corporate governance, Corporate Social Responsibility Disclosure and Company Size. According to the KNKG 2006, the implementation of good corporate governance has the principle of creating financial performance with transparency, accountability, responsibility, independence, and fairness. The application of good corporate governance principles is a must for companies in order to continue to compete in today's global competition (Prananta, 2021).

Mining companies were chosen because they have a high level of concern for the environment as a result of their operational activities. Mining companies are encouraged to become ecologically sound companies, increase resource efficiency, reduce environmental impacts, and be more responsible for employees and the surrounding community (Wahyuningtyas et al., 2022).

Research conducted by Kholmi & Nafiza, (2022) says that the Corporate Social Responsibility (CSR) variable has a positive and significant effect on profitability proxied by the company's Return on Equity (ROE), this is also in line with research conducted (Zuhriah & Maharani, 2022). However, in contrast to the results of research conducted by S & Sudjiman, (2022) and Pratiwi et al., (2020) who found that corporate social responsibility has no effect on ROE.

In research Gemilang & Wiyono, (2022) said that company size has a positive impact on financial performance. However, in contrast to the results of research Kurniawati et al., (2020) concluded that company size as measured by the size of assets has no effect on financial performance.

This study refers to research conducted by Pratama et al., (2022) with the title "The Effect of Good Corporate Governance on Profitability. The difference between research conducted by researchers and previous researchers is that researchers add two variables, namely corporate social responsibility and company size. Then this research was conducted on mining sub-sector energy sector companies listed on the Indonesia Stock Exchange in 2018-2023.

Based on the inconsistency of research output (research GAP) that exists and differences from previous research. Which states that it has an effect and has no effect on profitability. And a phenomenon that explains the importance of profitability in a company. And to date profitability is the most controversial area in financial accounting. Based on the background that has been described, the authors feel interested in researching as well as being the reason the authors chose the title "The Effect of Good Corporate Governance, Corporate Social Responsibility, and Company Size on Profitability (Study on the Energy Sector in 2018-2023)".

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Agency Theory

Agency theory was introduced by Jensen & Meckling, (1976) which describes two forms of agency between managers and shareholders, as well as between managers and lenders (bondholders). The use of agency theory is the basis for giving significance to effective corporate performance governance practices. Agency theory reflects the relationship between the parties involved in the existence of an entity. Jawas & Sulfitri, (2022) revealed that agency theory is a model used to ask questions about conflicts between shareholders or company owners (principals) and managers who are authorized by shareholders (agents) to manage the company in accordance with their interests.

### Legitimacy Theory

According to Deegan & Gordon, (1996) Legitimacy Theory, is one of the most influential theoretical viewpoints in the context of corporate reporting, both in social and environmental aspects. It is one of the theories that is often discussed to explain the approach to corporate social responsibility and disclosure of environmental information in annual reports. (Fuadah et al., (2018) emphasize that the main purpose of legitimacy theory is to explain organizational power in the context of corporate social responsibility in developing countries. There are two relevant aspects: first, the ability to maximally understand the profit motive provides a clearer picture of the company's motivation to improve its social responsibility. Second, organizational legitimacy can include cultural factors that shape different institutional pressures in various contexts.

### Stakeholder Theory

Stakeholder theory is a theory that explains how the management of a company meets or manages the expectations of its stakeholders. According to Freeman & Mcvea, (2001) is a theory that emphasizes the company's responsibility to various parties who have an interest (stakeholders). In stakeholder theory, this theory helps company management to improve company activities and minimize losses that affect stakeholders. The better the relationship with stakeholders can increase company profits. This theory also states that the more assets the company has can increase the company's profit level. Companies that are large in size will have more assets.

### Good Corporate Governance

Good Corporate Governance (GCG) is an important element in improving economic efficiency. It includes interactions between company management, board of directors, shareholders, and other related parties. According to Sari, (2021) Good Corporate Governance has the principle of fairness, namely justice and equality in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations. Matters relating to the application of the concept of good corporate governance, namely the distribution or distribution of power and responsibility, as well as consequences and accountability for organizational performance or results (Churniawati et al., 2019).

### GRI Standard 2016

According to Darius, (2021) GRI Standard is a sustainability report reporting standard that serves as a guideline for making sustainability reports. Reports made based on GRI standards are required to attach the GRI content index and are presented complete with the page where the disclosure is located. In the GRI standard, there are six indicators which

include foundation (GRI 101), general disclosure (GRI 102), management approach (GRI 103), economic (GRI 200), environmental (GRI 300), and social (GRI 400).

**Corporate Social Responsibility**

According to Afdila, (2021) Corporate Social Responsibility is a form of company commitment in maintaining business ethics and corporate responsibility in order to minimize negative impacts and maximize the positive impacts of business activities without ignoring the company's capabilities. Corporate Social Responsibility (CSR) is regulated by Law Number 40 of 2007 in Article 74 concerning limited liability companies PT, this Law clearly mandates that companies operating in the Natural Resources (SDA) sector have an obligation to carry out social and environmental responsibilities.

**Company Size**

According to Prasetyorini, (2013) the definition of company size is a scale where the size of the company can be classified based on various means, including total assets, log size, stock market value, and various other criteria. The size of the company affects its capacity to bear risks that may arise due to various situations faced by the company.

**Profitability**

According to Napitulu et al., (2023) Profitability ratios are used to measure the company's ability to generate profits. The profitability ratio shows how much profit a company earns in a certain period of time, for example one year. The higher the profitability ratio, the better the company's picture of making a profit.

**Research Hypothesis**

**The Effect of the Independent Board of Commissioners on Profitability**

Agency theory and stakeholder theory state that the existence of an independent board of commissioners as a supervisor is expected to reduce information imbalances, so that profitability as measured using ROE can increase more effectively. Research conducted by Almira, (2023) shows that the existence of an independent board of commissioners affects the company's financial performance (ROE), supported by Puni & Anlesinya, (2020) and Sofia & Januarti, (2022) which show the same results that the independent board of commissioners has a positive effect on financial performance. Then it can be formulated as follows:
H1: The Independent Board of Commissioners Has a Positive Effect on Profitability

**The Effect of the Audit Committee on Profitability**

Good Corporate Governance proxied by the audit committee on profitability (ROE) uses agency and stakeholder theory, namely according to Aziz & Hartono, (2017) the greater the number of audit committees will increase the supervisory function of the financial statements presented in the company, and the possibility of asymmetric information will decrease which will have a positive impact on improving the company's financial performance. This is related to the research of Kurnianto et al., (2019) which states that the audit committee has a positive and significant effect on company performance supported by research by Almira, (2023), Allan et al., (2020) and Shatnawi et al., (2021) which both show a positive relationship between the audit committee and financial performance. Then it can be formulated as follows:
H2: Audit Committee Has a Positive Effect on Profitability

**The Effect of Institutional Ownership on Profitability**

In this case, it is related to agency theory and stakeholder theory, where institutional ownership can reduce agency problems because institutional investors have more capabilities and opportunities than individual investors (Cornett et al., 2006). Institutional ownership has an important meaning in controlling management because institutional ownership will encourage an increase in more optimal supervision. This is related to the research of Jabir et al., (2023) which shows that institutional ownership affects financial performance (ROE) this research is supported by research by Allan et al., (2020), Kurnianto et al., (2019), Hastuti et al., (2022) and Silpachai, (2023) which research shows the same results that institutional ownership has a positive effect on financial performance (ROE). Then it can be formulated as follows:
H3: Institutional Ownership Has a Positive Effect on Profitability

**The Effect of Corporate Social Responsibility on Profitability**

This hypothesis is related to stakeholder theory and legitimacy theory. Purnaningsih, (2018), Kholis, (2014) and Aritonang & Rahardja, (2022) in their research found that corporate social responsibility (CSR) has a positive effect on financial performance. Because investors and stakeholders trust more companies that are transparent in disclosing all activities both related to finance and corporate social and environmental responsibilities. When the company's responsibility to society is high, investors will be interested in investing in the company so that additional capital can increase sales and profits so that the company has good profitability. Then it can be formulated as follows:
H4: Corporate Social Responsibility Has a Positive Effect on Profitability

**Effect of Company Size on Profitability**

The bigger a company is, the more stable the company will be in its management so that it can generate high profits. This relates to stakeholder theory on company size, the larger a company is, the more parties will become stakeholders of the company, so that the company will increase in terms of investment. Putri, (2018), Injayanti et al., (2023) and Ningrum & Nurdina, (2023) found that company size has a positive effect on financial performance (ROE), because company size gives confidence that the company is experiencing positive development and growth, so that it can improve the financial performance of a company. Then it can be formulated as follows:
H5: Company Size Has a Positive Effect on Profitability

## METHODS

**Type of Research**

In this study, researchers used quantitative research with quantitative descriptive methods. The type of data used by researchers is secondary data. Secondary data is obtained from various sources that support research, including journals, books, previous research, annual reports, sustainability reports and existing documents. The secondary data used comes from www.idx.co.id, www.indopremier.co.id, the global reporting website and the websites of the companies sampled.

The research population consists of 87 companies, the sample was selected using purposive sampling technique on 11 companies listed on the Indonesia Stock Exchange (IDX)

from 2018 to 2023 in the Energy Sector Mining Sub-Sector. The following are the research variables used:

1. Independent Board of Commissioners (X1)

   The independent board of commissioners is formed and appointed for the benefit of the company, and its members not only represent majority or minority shareholders but must also be unaffiliated with the board of directors or other parties who have control over shareholders and are free from business or other relationships. The Independent Board of Commissioners variable can be measured using the following formula (Sugiarto, 2011):

$$\textbf{KOMIN} = \frac{\textit{Number of Independent Commissioners}}{\textit{Number of All Members of the Board of Commissioners}}$$

2. Audit Committee (X2)

   The audit committee variable is measured by considering the number of members contained in the audit committee. In this study, the audit committee is measured based on the number of audit committee members, which is obtained from the data listed in the financial statements. The audit committee can be formulated as follows according to (Sugiarto, 2011):

   **Audit committee = Σ Audit Committee Members in the Financial Statements**

3. Institutional Ownership (X3)

   Institutional ownership variables can be calculated using the following formula (Sugiarto, 2011):

$$\textbf{KI} = \frac{\textit{Institutional Share Ownership}}{\textit{Total shares outstanding}}$$

4. Corporate Social Responsibility (X4)

   In this study, the CSR variable is measured using the Corporate Social Responsibility Disclosure Index (CSRI). According to Norsita & Iqbal, (2023) Sustainability reports must comply with the criteria, it can be said to be applied if it discloses items in accordance with the GRI 2016 standard and is called non-applied if it does not comply with the GRI 2016 standard. Each item is scored as 1 if disclosed and 0 if not disclosed. Then the calculation of CSRI is done by dividing the number of items disclosed by the company by the total number of items ((Waraihan, 2020). The CSRI calculation formula is as follows:

$$CSRI = \frac{\Sigma X}{n}$$

   Description:

   CSRI : Corporate Social Responsibility Index per company category.

   ΣX : Total score of the disclosure index (where companies that disclose CSR in the financial statements score 1, and if they do not disclose CSR in the financial statements score 0.)

   N : Number of disclosure index items, n = 148

5. Company Size (X5)

   According to Astuti et al., (2017), company size can be divided into two categories, namely large and small businesses. The choice of total assets as a measurement indicator was decided because it is more long-term when compared to total sales. By emphasizing total assets, research can focus more on the financial aspects and

sustainability of the company in the long term. The company size formula (Pantow et al., 2015) is as follows:

**Company Size = Natural Log of Total Assets**

6. Return On Equity (Y)

ROE (Return On Equity) is one of the profitability ratios that compares net profit after tax with the equity invested by the company's shareholders (Lutfi & Sunardi, 2019). An increasing ROE indicates that the company is successfully using its equity more effectively to generate profits. The Return On Equity (ROE) calculation formula is as follows according to (Brigham & Houston, 2020).

$$\textit{Return on Equity}\ \text{(ROE)} = \frac{\textit{Net Income}}{\textit{Total Equity}}\ x\ 100\%$$

Data processing is carried out using SPSS software, with data analysis through descriptive statistics. To ensure the data met the regression requirements, classical assumption tests were conducted, including tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. Then, hypothesis testing was conducted using the t-test to assess the effect of each independent variable partially, as well as the F-test to assess the simultaneous effect of all independent variables on the dependent variable. All of these procedures are carried out to test the relationship between independent variables such as the Independent Board of Commissioners, Audit Committee, Institutional Ownership, Corporate Social Responsibility, and Company Size with the dependent variable Return on Equity in energy sector companies in the mining subsector listed on the Indonesia Stock Exchange (IDX) in the period 2018-2023.The methods used in completing the study are written in this section.

Based on previous research and theories, the conceptual framework used in this study is as follows:

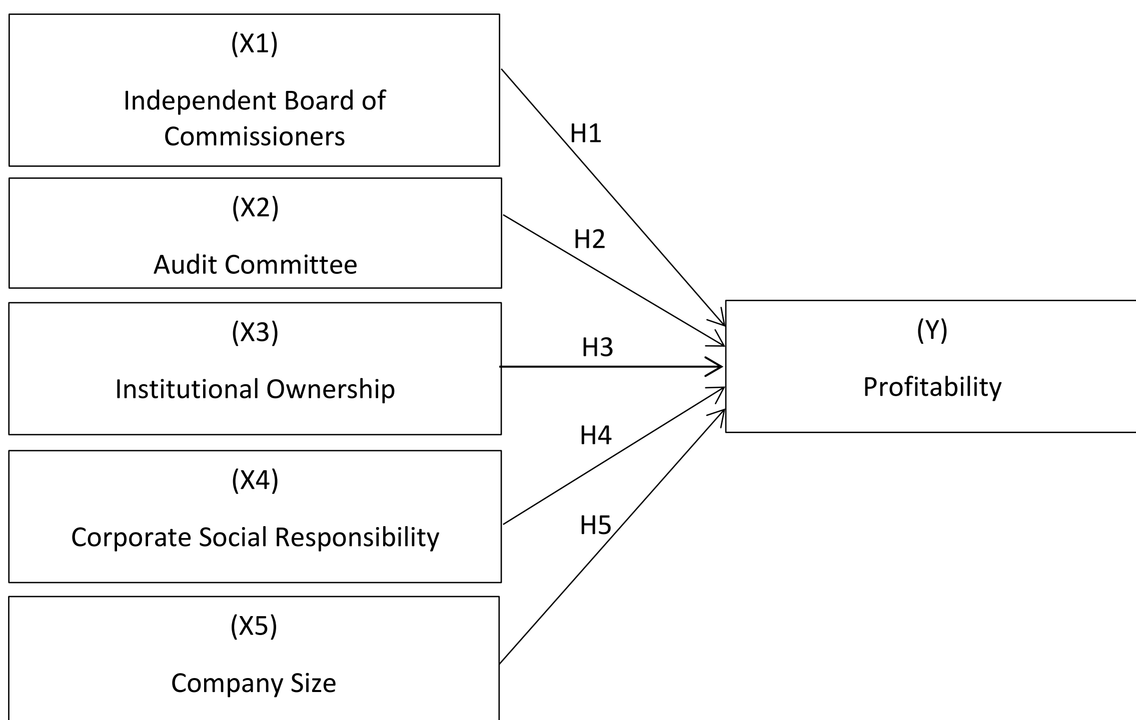


**Figure 2:** Model Analysis

## RESULTS

Descriptive statistics are used to explain how the description of all variable data is used. Descriptive statistics is a statistical method used to describe or explain a research object based on data obtained from samples or the entire population, which includes an explanation of the data set through the minimum value, maximum value, average (mean), and standard deviation of all variables contained in the survey model, as well as the distribution and behavior of sample data (Ghozali, 2018). The variables used include Independent Board of Commissioners (X1), Audit Committee (X2), Institutional Ownership (X3), Corporate Social Responsibility (X4), Company Size (X5) and Return on Equity (Y).

**Table 1.** Descriptive Statistics

| Variables | Indicators | N | Min | Max | Mean | Std. Dev |
|---|---|---|---|---|---|---|
| Independent Board of Commissioners | X1_KOMIN | 66 | 0.00 | 0,49 | 0,2668 | 0,08189 |
| Audit Committee | X2_KA | 66 | 0.00 | 4,00 | 2,2941 | 0,88381 |
| Institutional Ownership | X3_KI | 66 | 0.00 | 0,79 | 0,4378 | 0,17571 |
| *Corporate Social Responsibility* | X4_CSR | 66 | -0.28 | 0,71 | 0,2275 | 0,29704 |
| Company Size | X5_SIZE | 66 | 0.00 | 22,75 | 19,2186 | 3,61805 |
| *Return on Equity* | Y_ROE | 66 | -0.23 | 0,61 | 0,0992 | 0,16142 |

**Source:** *SPSS 26 Output, Secondary Data has been processed, 2024*

Based on table 1 Descriptive Statistical Test above, it can be concluded as follows:

1. The Independent Board of Commissioners has a minimum value of 0.00, a maximum value of 0.49, with an average value of 0.2668 and a standard deviation of 0.08189. These figures show that the average which is higher than the standard deviation indicates a balanced distribution of data and is well spread around the average value. This suggests that the variation in the data is relatively small compared to the mean, reflecting stability and consistency in the proportion of Independent Board of Commissioners across companies.
2. The Audit Committee has a minimum value of 0.00, a maximum value of 4.00, an average value (mean) of 2.2941, and a standard deviation of 0.88381. The mean value which is greater than the standard deviation indicates that the data has a more balanced distribution and is well spread around the average. This indicates that the data variation is not too large compared to the average value, thus reflecting a relatively high level of consistency and stability in the characteristics of the Audit Committee among the companies analyzed.
3. Institutional Ownership has a minimum value of 0.00, a maximum value of 0.79, an average value (mean) of 0.4378, and a standard deviation of 0.17571. In economic language, these figures indicate that a higher mean value than the standard deviation indicates a balanced distribution of data and is well spread around the mean. This suggests that the variation in the data is not too great compared to its mean value, reflecting a relatively high level of consistency in institutional ownership among the companies analyzed.

4. Corporate Social Responsibility (CSR) shows a minimum value of -0.28, a maximum value of 0.71, a mean of 0.2275, and a standard deviation of 0.29704. This lower mean value compared to the standard deviation indicates an uneven distribution of data or shows a significant imbalance in the distribution of CSR among the companies analyzed.
5. Company size has a minimum value of 0.00, a maximum value of 22.75, a mean value of 19.2186, and a standard deviation of 3.61805. A higher mean value than the standard deviation indicates a more balanced and well-distributed distribution of data around the mean. This indicates that the data variation is relatively small compared to the mean value, reflecting stability in company size.
6. Return on Equity has a minimum value of -0.23, a maximum value of 0.61, a mean value of 0.0992, and a standard deviation value of 0.16142. These figures indicate that a mean value lower than the standard deviation indicates a possible uneven distribution of ROE or significant imbalances.

**DISCUSSION**

**The Effect of the Independent Board of Commissioners on Profitability.**

Based on the results of this study, it shows that the independent board of commissioners variable has no effect on profitability with a significance value of 0.076 which indicates an error rate greater than 0.05, while the regression coefficient or beta value is 0.408. So that (H1) is rejected, because it is not in accordance with the proposed hypothesis.

The results of this study contradict agency and stakeholder theory, which says that the existence of an independent board of commissioners as a supervisor is expected to reduce the imbalance of company information so that decisions made by company management can be monitored optimally. However, the results of statistical testing in this study indicate that the existence of an independent board of commissioners has no effect on profitability, where the large or small number of independent commissioners has no effect on profitability.

This depends on how financial management manages the board of independent commissioners and its relationship with shareholders also plays an important role in achieving an adequate rate of return. The results of this study are in line with research conducted by Fitriyani, (2021), Andriyani et al., (2022) and Akhbar & Yuniarti, (2023) which state that the independent board of commissioners has no effect on profitability.

**The Effect of Audit Committee on Profitability.**

The results of hypothesis testing research, obtained t of 0.142, a significance value of 0.888 which means that this value is greater than the significance level of 0.05. So in this study, (H2) is rejected because it contradicts the proposed hypothesis.

This is contrary to agency and stakeholder theory because the existence of an audit committee does not guarantee that it will reduce the risk to the profitability of an accounting process and the company's financial statements. This can occur because the audit committee's supervision is not maximized and has no impact on return on equity, because its supervision does not run optimally. So, the number of audit committee members does not guarantee good profitability. The results of this study are in line with research conducted by Fitriyani, (2021), Andriyani et al., (2022) and Syahputri & Saragih, (2024) which state that the audit committee has no effect on profitability.

**The Effect of Institutional Ownership on Profitability.**

Based on the results of hypothesis testing, it is known that the t test is 3.328 with a significant value of 0.001 and a beta value of 0.362. This shows that the error rate is smaller than 0.05. This shows that institutional ownership has a positive effect on profitability. This means that if institutional ownership increases, profitability will also increase. Therefore, (H3) is accepted because it is in accordance with the proposed hypothesis.

Agency theory Jensen & Meckling, (1976) supports this research, stating that institutional ownership is important to reduce agency conflicts between managers and shareholders. This is also in line with Freeman & Mcvea, (2001) stakeholder theory which states that companies with high institutional ownership as stakeholders will provide confidence that the company is able to generate positive benefits, namely increasing the efficiency and profitability of the company through increased ROE profitability. Because institutional ownership is a professionally reliable tool to oversee the progress of its investment, the level of control over management is very strong and accurate.

And the results of this study are in line with Satriani et al., (2023), Harjadi et al., (2023) and Handayani & Agustina, (2022) state that institutional ownership has a positive effect on profitability as measured by return on equity.

**The Effect of Corporate Social Responsibility on Profitability.**

The results of hypothesis testing show that the CSR variable has a t test of 1.117 with a sig value. 0.269> 0.05 and beta value 0.078. These results explain that CSR has no effect on ROE, so the fourth hypothesis (H4) is rejected because it is not consistent with the proposed hypothesis. This shows that even though the company has done CSR, it has not been able to affect the company's profitability.

The results of this study are not in line with stakeholder theory and legitimacy theory, which state that CSR disclosure is important to gain legitimacy from the community around the company. Stakeholder theory also states that the existence and activities of the company must be based on the interests of stakeholders such as shareholders, labor, consumers, providers, government authorities, the interests of the general public and the environment in the company's decisions and activities. Other factors turn out to have a greater impact on profitability. In assessing a company, stakeholders still lack in considering CSR aspects.

This means that the more companies engage in CSR activities, this does not automatically mean that they will earn a large return on equity. CSR activities often require large expenditures. Therefore, companies that have the ethics and care to carry out corporate social responsibility must consider these costs. Although CSR can improve the company's image and reputation, its impact is not always reflected in return on equity (ROE). The results of this study are in line with research conducted by Pratiwi et al., (2020), Erari & Nurjanah, (2021) and Fadhilah et al., (2022) which say that corporate social responsibility has no effect on profitability.

**The Effect of Company Size on Profitability.**

Based on the research results, a t value of -43.342 was obtained with a significance value of 0.001 less than 0.05. In this case, the result shows that company size has a negative effect on profitability, so (H5) is rejected, because it is not in accordance with the proposed hypothesis. From this it can be concluded that when company size increases, profitability will decrease, and vice versa.

The results of this study contradict the stakeholder theory, that the determination of company scale can be based on total sales, average sales level, total assets, and average total assets. In this study it was found that a large company size does not always have a high level of profitability. Optimizing the use of assets is very important for the company's ability to generate profits. This insignificant effect is due to the greater the size of the company, the greater the costs required to carry out its operational activities.

Company size has a negative effect on profitability. Because if the size of the company is larger, the opportunity to increase profitability tends to be smaller. The larger the company, the better and more stable the company's financial reporting will usually be in managing its profits without having to focus too much on the desired profitability strategy. The results of this study are in line with the research of Saragi et al., (2021), Gunawan, (2020) and Melania & Tjahjono, (2022) which state that company size has a negative effect on return on equity.

**CONCLUSION**

This study aims to determine the effect of independent board of commissioners, audit committee, institutional ownership, corporate social responsibility, and company size on profitability (ROE) in the Energy Sector, especially in the Mining Subsector. This study uses data over a 6-year period from 2018 to 2023, with 11 mining companies as samples. The data used is quantitative data sourced from sustainability reports, annual reports available on the Indonesia Stock Exchange (IDX) website such as www.idx.co.id, www.indopremier.com, and the official website of the company that is the subject of the study. Data analysis was carried out using SPSS version 26 software.

Based on the results of the analysis conducted, the researchers concluded as follows: First, the independent board of commissioners variable has no effect on profitability. This is because it cannot guarantee that the performance of a company will be optimal based only on the large or small number of independent commissioners. Second, the audit committee variable has no effect on profitability. Because the size of the audit committee does not affect the profitability of a company. The number of audit committee members in the company is only responsible for overseeing financial reports, so they do not have a significant influence in increasing profitability. In addition, the existence of an audit committee alone is not enough to be a partial indicator of profitability. Third, the institutional ownership variable has a significant positive effect on profitability. The higher the level of institutional ownership in a company, the higher the level of monitoring carried out, so that it can effectively prevent mistakes that could potentially harm the company. Fourth, the corporate social responsibility variable has no effect on profitability. This is due to the fact that although the company has implemented CSR, it has not had an impact on profitability. The low level of CSR implementation that is only consistent from year to year can be the reason why CSR does not affect profitability. Fifth, the firm size variable has a significant negative effect on profitability. Because the size of the company is getting bigger, which is indicated by high total assets, this can result in the company's profitability being low, thus causing the company's profitability not to reach its maximum potential.The conclusion does not contain a repeat of the results and discussion, but rather a summary of the findings as expected. Conclusions involve some extrapolation, including suggestions for future research, limitations of the findings, and implications of the findings.

Based on these findings, there are several suggestions that are recommended, among others: First, For future researchers, this can be used as a comparison with previous research. Researchers can also consider adding research variables to achieve more optimal results, including expanding the research period, adopting different testing methods and software, adjusting the sample, and considering other factors that affect profitability. Second, companies are expected to use this research as a reference for managers who have not reported sustainability reports, and for companies that have reported them, to present them more fully and in detail as proof of the company's responsibility for the sustainability of its business. Companies are also expected to use the 2021 GRI Standards as the latest guidelines in disclosing sustainability activities. Third, investors can use the results of this study as a basis for making investment decisions in companies in the energy sector mining subsector listed on the Indonesia Stock Exchange. This can provide consideration for investors to manage investment risk and help investors make more informed decisions when investing in these companies.

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