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Corporate Social Responsibility, Good Corporate Governance, and Banking Financial Performance : Empirical Evidence from Panel Data Analysis of Banks in Indonesia

(*Corporate Social Responsibility, Good Corporate Governance, dan Kinerja Keuangan Perbankan : Bukti Empiris dari Analisis Data Panel Bank di Indonesia*)

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Abstract:

Objective : CSR was measured using the Corporate Social Responsibility Disclosure Index (CSRDI) based on the Global Reporting Initiative (GRI Standards), while GCG was proxied by board of commissioners size and audit committee size. Financial performance was measured using Return on Assets (ROA).

Methodology : This study employed a quantitative research approach with a sample of 11 banking companies selected through purposive sampling, resulting in 55 firm-year observations. The data were analyzed using panel data regression, with the Common Effect Model (CEM) identified as the most appropriate model based on the model selection tests.

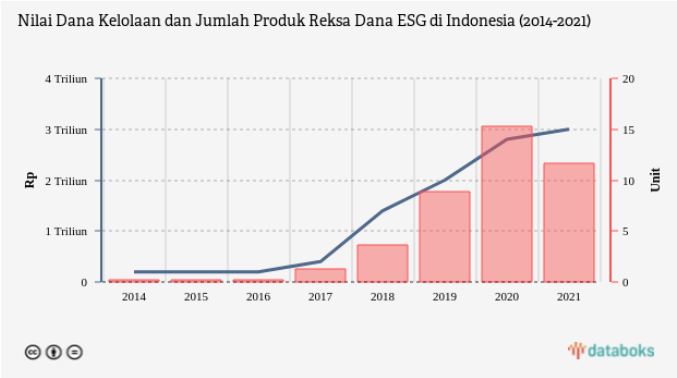
Research Results : The findings indicate that CSRDI and audit committee size have a positive and statistically significant effect on ROA, whereas board of commissioners size has no significant effect. Furthermore, CSRDI, board of commissioners size, and audit committee size jointly have a significant effect on ROA. These findings underscore the importance of CSR disclosure and the effectiveness of the audit committee in enhancing the financial performance of banking companies.

Keywords: Corporate Social Responsibility, Good Corporate Governance, Financial Performance, Return on Assets, Data Panel.

1. Introduction

1.1 Research Backgrounds

Over the past decade, corporate management has shifted from maximizing shareholder value toward creating sustainable value that balances the interests of multiple stakeholders. This transformation has been driven by increasing expectations from investors, regulators, and society for firms to integrate environmental, social, and governance (ESG) considerations into their business strategies. Consequently, sustainability has become an essential component of corporate competitiveness, strengthening legitimacy, reputation, and long-term firm value (Buallay 2019; Friede et al. 2015; Raimo et al. 2021; Velte 2019).



Source: Katadata.com

Figure 1. Trends in ESG Mutual Fund Investments in Indonesia

The banking industry occupies a strategic position in promoting sustainable economic development because financial institutions influence economic activities through lending, investment, and risk management decisions. Unlike non-financial firms, banks are expected not only to maintain profitability but also to support financial inclusion, environmental responsibility, and transparent governance. Consequently, the banking sector has become one of the industries most affected by the global ESG agenda (Buallay 2019; Drempetic et al. 2020; Horton et al. 2019).

In Indonesia, this transformation has been reinforced through Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017, which requires financial institutions and listed companies to implement sustainable finance and publish sustainability reports. The adoption of IFRS S1 and IFRS S2 issued by the

International Sustainability Standards Board (ISSB) has further strengthened sustainability disclosure by integrating ESG-related information into corporate reporting. These developments indicate that Corporate Social Responsibility (CSR) has evolved beyond philanthropic activities into a strategic instrument for enhancing transparency, stakeholder trust, and long-term corporate value (IFRS Foundation. 2023; KPMG 2022; Orlitzky et al. 2003).

Within the banking sector, CSR implementation differs substantially from that of manufacturing or extractive industries. Banking CSR encompasses sustainable financing, green financial products, financial literacy programs, consumer protection, support for micro, small, and medium enterprises (MSMEs), and the integration of environmental and social risks into lending decisions. Such initiatives have been shown to improve corporate reputation, customer confidence, and competitive advantage while supporting sustainable financial performance (Alabdullah et al. 2022; Nurdin 2024; Orazalin and Mahmood 2021).

The relationship between CSR and financial performance is commonly explained by Stakeholder Theory, which argues that firms creating value for stakeholders are more likely to gain legitimacy, strengthen reputation, and improve profitability. This perspective is complemented by the Resource-Based View, which considers reputation and stakeholder trust as strategic intangible resources capable of generating sustainable competitive advantage (Barney 1991; Buallay 2019; Velte 2019). Nevertheless, empirical evidence regarding the financial consequences of CSR remains inconclusive. While several studies report that CSR improves profitability through enhanced reputation and customer loyalty (Buallay 2019; Nurdin 2024; Orazalin and Mahmood 2021), others find insignificant or even negative effects because CSR implementation may increase operational costs without producing immediate financial returns . (Albitar et al. 2023; Drempetic et al. 2020).

One possible explanation for these inconsistent findings is the quality of Good Corporate Governance (GCG). Effective governance mechanisms ensure that CSR is embedded within corporate strategy rather than functioning merely as symbolic compliance. The board of commissioners and audit committee play essential roles in

monitoring managerial decisions, improving transparency, strengthening risk management, and enhancing accountability in sustainability practices. Firms with stronger governance structures generally demonstrate higher-quality CSR implementation and better financial performance (Alodat et al. 2023; Nurdin 2024; Orazalin and Mahmood 2021; Sari et al. 2025).

The relevance of this issue has become increasingly apparent in Indonesia's banking industry, which is undergoing rapid digital transformation, intensified market competition, and growing regulatory pressure to implement ESG principles. Banks are therefore expected not only to improve operational efficiency but also to strengthen social legitimacy through effective CSR implementation supported by sound corporate governance (Bank Indonesia 2024; OJK (Otoritas Jasa Keuangan). 2024; PwC 2023).

Accordingly, this study investigates banking companies listed on the Indonesia Stock Exchange during the 2020–2024 period, representing the post-pandemic recovery phase characterized by stronger sustainability reporting practices and broader ESG adoption. Using a panel data approach, this study examines whether Corporate Social Responsibility and Good Corporate Governance significantly influence the financial performance of Indonesian banking firms. The findings are expected to provide empirical evidence regarding the effectiveness of CSR and GCG in improving profitability while contributing to the sustainability and corporate governance literature in emerging-market banking.

1.2 Research Gap

Despite extensive research on sustainability and corporate governance, three major gaps remain. First, previous studies have predominantly examined the effects of CSR and GCG separately, whereas empirical evidence investigating their combined influence on banking financial performance remains limited. Second, prior findings remain inconsistent, with CSR and governance mechanisms producing mixed effects on profitability across different contexts and performance indicators. Third, most existing studies rely on relatively short observation periods or cross-sectional

analyses, limiting their ability to capture both cross-sectional heterogeneity and temporal dynamics. By employing panel data from Indonesian listed banks during 2020–2024, this study provides a more comprehensive assessment of the relationships among CSR, GCG, and financial performance.

1.3 Research Objectives

Based on the identified research gaps, this study aims to examine the effects of Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) on the financial performance of banking companies listed on the Indonesia Stock Exchange. Specifically, this study seeks to:

1. Examine the effect of Corporate Social Responsibility (CSR) on the financial performance of banking companies in Indonesia.
2. Examine the effect of Good Corporate Governance (GCG), proxied by board of commissioners size and audit committee size, on the financial performance of banking companies in Indonesia.
3. Examine the joint effect of Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) on the financial performance of banking companies using a panel data regression approach.

2. Literature

2.1 Stakeholder Theory (Grand Theory)

Stakeholder Theory argues that firms are responsible not only to shareholders but also to all stakeholders affected by corporate activities, including customers, employees, regulators, communities, and the environment. In the banking industry, maintaining stakeholder trust and legitimacy is essential for long-term sustainability. Companies that effectively address stakeholders' expectations through responsible business practices tend to strengthen their reputation and improve financial performance (Buallay 2019; Fatemi et al. 2018; Saygili et al. 2022; Shabir et al. 2025; Velte 2019).

In this study, Corporate Social Responsibility (CSR) represents the firm's commitment to meeting stakeholder expectations, while Good Corporate Governance (GCG) ensures that these commitments are implemented transparently and accountably. Therefore, Stakeholder Theory provides the principal theoretical foundation for explaining how CSR and GCG contribute to improved financial performance.

2.2 Agency Theory (Middle Theory)

Agency Theory explains conflicts of interest between shareholders (principals) and managers (agents) arising from information asymmetry. Effective corporate governance reduces agency problems through monitoring and control mechanisms that improve managerial accountability (Affes and Jarboui 2023; Ebaid 2022; Mantiri and Eriandani 2022; Tandoh et al. 2022; Verma et al. 2025).

Accordingly, this study employs Agency Theory to explain how governance mechanisms, particularly the board of commissioners and audit committee, improve managerial oversight and ultimately enhance banks' financial performance (Affes and Jarboui 2023; Verma et al. 2025).

2.3 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) refers to a firm's commitment to integrating economic, social, and environmental responsibilities into its business operations. In the banking sector, CSR includes sustainable financing, financial inclusion, consumer protection, community development, and environmental initiatives. Effective CSR disclosure enhances corporate reputation, stakeholder trust, and firm value (Buallay 2019; Chouaibi et al. 2022; Nurdin 2024; Shabir et al. 2025; Velte 2019).

This study measures CSR using the Corporate Social Responsibility Disclosure Index (CSRDI) based on the Global Reporting Initiative (GRI) Standards, where higher disclosure reflects greater corporate transparency regarding sustainability practices.

2.4 Good Corporate Governance (GCG)

Good Corporate Governance (GCG) refers to the system of directing and controlling a company based on the principles of transparency, accountability, responsibility, independence, and fairness. Strong governance improves monitoring effectiveness, reduces agency costs, and supports better organizational performance (Affes and Jarboui 2023; Ebaid 2022; Mantiri and Eriandani 2022; Saygili et al. 2022; Tandoh et al. 2022; Verma et al. 2025).

In this study, GCG is represented by the board of commissioners size and audit committee size, which are widely used governance proxies in banking research and reflect the effectiveness of internal monitoring mechanisms.

2.5 Financial Performance

Financial performance reflects a firm's ability to generate profits from its available resources. In banking research, Return on Assets (ROA) is the most widely used profitability indicator because it measures management's efficiency in utilizing total assets to generate earnings (Buallay 2019; Chouaibi et al. 2022; Nurdin 2024; Velte 2019; Verma et al. 2025).

Accordingly, this study employs ROA as the dependent variable to evaluate the effects of CSR disclosure and corporate governance on banks' profitability during the 2020–2024 observation period.

2.6 Literature Review

Table 1. Literature Review

No.	Authors	Main Findings	Difference from the Present Study
1	Sari et al. (2025)	ESG disclosure and corporate governance improve firm value.	This study focuses on CSR (GRI-based) and GCG in the Indonesian banking sector using panel data.
2	Verma, Goyal, and Sharma (2025)	GCG positively affects bank profitability.	Adds CSR alongside GCG as determinants of ROA.
3	Nurdin (2024)	CSR disclosure improves banking financial performance.	Examines the combined effects of CSR and GCG on ROA.

4	Shabir et al. (2025)	CSR enhances banking performance in emerging markets.	Focuses specifically on Indonesian listed banks during 2020–2024.
5	Affes and Jarboui (2023)	Corporate governance improves financial performance.	Restricts the analysis to the banking industry and integrates CSR.
6	Albitar et al. (2023)	Governance influences ESG and CSR reporting quality.	Treats CSR and GCG as independent variables affecting ROA.
7	Alodat et al. (2023)	GCG improves sustainability reporting.	Examines the direct impact of CSR and GCG on profitability.
8	Mantiri and Eriandani (2022)	GCG positively affects CSR disclosure.	Investigates the simultaneous effects of CSR and GCG on ROA.
9	Saygili et al. (2022)	ESG practices enhance firm performance.	Separates CSR and GCG based on Indonesian banking characteristics.
10	Chouaibi et al. (2022)	ESG improves financial performance through green innovation.	Examines direct effects using panel data without mediating variables.

Previous studies have generally demonstrated that Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) contribute to improving corporate financial performance. However, the empirical evidence remains inconclusive regarding the magnitude and consistency of the effects of these variables, particularly within the banking sector in emerging economies. Accordingly, this study re-examines the effects of CSR and GCG on the financial performance of Indonesian banking firms by employing a panel data approach covering the 2020–2024 period.

2.7 Research Framework and Hypothesis

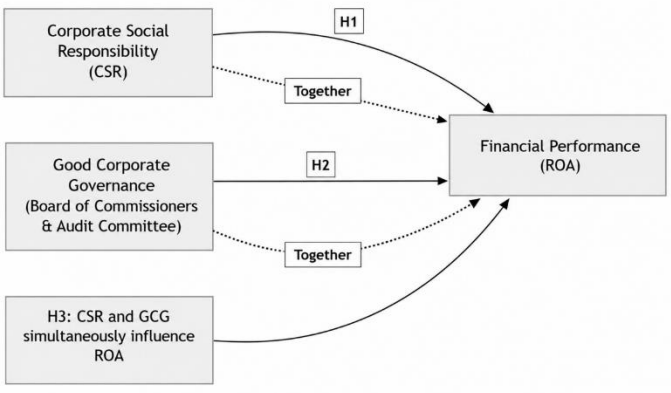


Figure 2. Research Framework

2.7.1 The Effect of Corporate Social Responsibility on Financial Performance (ROA)

Stakeholder Theory suggests that firms create sustainable value by addressing stakeholder expectations through responsible business practices. In banking, CSR strengthens legitimacy, reputation, and stakeholder trust, which are expected to improve profitability. Empirical studies consistently report a positive relationship between CSR disclosure and financial performance (Buallay 2022; Orazalin and Mahmood 2021; Rao et al. 2022).

H1: Corporate Social Responsibility (CSR) positively affects the financial performance (ROA) of banking companies.

2.7.2 Good Corporate Governance and Financial Performance

Agency Theory argues that effective governance reduces agency conflicts through monitoring and accountability. In this study, GCG is represented by the board of commissioners and audit committee. Strong governance is expected to improve managerial decisions and enhance profitability (Alodat et al. 2023; Albitar et al. 2023; Buallay et al. 2021).

H2: Good Corporate Governance (GCG) positively affects the financial performance (ROA) of banking companies.

2.7.3 The Joint Effect of CSR and GCG on Financial Performance

CSR and GCG are complementary governance mechanisms. CSR enhances stakeholder legitimacy, while GCG ensures effective implementation through accountability and transparency. Together, they are expected to improve financial performance more effectively than either mechanism alone (Buallay 2022; Orazalin and Mahmood 2021; Velte 2022). Therefore:

H3: Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) simultaneously have a positive effect on the financial performance (ROA) of banking companies.

3. Research Method

This study employs a quantitative explanatory research design to examine the causal relationships between Corporate Social Responsibility (CSR), Good Corporate Governance (GCG), and the financial performance of banking firms. A quantitative approach was adopted because it enables the objective testing of hypotheses through statistical analysis based on numerical data extracted from corporate reports. According to (Hair et al. 2022), quantitative research is particularly appropriate for testing relationships among variables specified in a conceptual model, thereby providing empirical evidence to support the underlying theoretical framework. In accounting and finance research, the use of secondary quantitative data is widely accepted because it provides objective measurements and facilitates replication across different observation periods.

Table 2. Operational Definition of Variables

Variable	Operational Definition	Indicator	Measurement	Scale	References
Corporate Social Responsibility (CSR)	The extent of CSR disclosure by banking firms, reflecting their commitment to economic, environmental, and social responsibilities as reported in sustainability reports.	CSR disclosure based on the GRI Standards (Economic, Environmental, and Social dimensions)	CSR Disclosure Index (CSRDI) = Number of disclosed GRI items / Number of relevant GRI items.	Ratio	GRI Standards (2021); OJK (2017); Buallay (2022)
Good Corporate Governance (GCG)	Corporate governance mechanisms reflecting the effectiveness of corporate oversight in directing and controlling the company to protect stakeholders' interests.	(1) Board of Commissioners Size; (2) Audit Committee Size	Number of board commissioners; Number of audit committee members.	Ratio	POJK No. 55/2015; Bancin & Harmain (2022); Puni & Anlesinya (2020)
Financial Performance (ROA)	The firm's ability to generate profits from its total assets	Return on Assets (ROA)	Net Income after Tax / Total Assets × 100%.	Ratio	Brigham & Houston (2022);

Variable	Operational Definition	Indicator	Measurement	Scale	References
	during the observation period.				Kasmir (2022)

Source: Developed by the authors.

The research object consists of 11 banking companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period, namely PT Bank Central Asia Tbk (BBCA), PT Bank Negara Indonesia (Persero) Tbk (BBNI), PT Bank Rakyat Indonesia (Persero) Tbk (BBRI), PT Bank Tabungan Negara (Persero) Tbk (BBTN), PT Bank Danamon Indonesia Tbk (BDMN), PT Bank Pembangunan Daerah Jawa Timur Tbk (BJTM), PT Bank Mandiri (Persero) Tbk (BMRI), PT Bank Maybank Indonesia Tbk (BNII), PT Bank Syariah Indonesia Tbk (BRIS), PT Bank BTPN Tbk (BTPN), and PT Bank Pan Indonesia Tbk (PNBN). These firms were selected because they consistently published annual reports, sustainability reports, and corporate governance reports throughout the study period, thereby enabling consistent measurement of all research variables.

The banking industry was selected because it operates within a highly regulated environment, is subject to mandatory corporate governance requirements, and has increasingly integrated Corporate Social Responsibility practices with Environmental, Social, and Governance (ESG) principles. Moreover, Indonesian banking institutions are required to implement sustainable finance practices under OJK Regulation No. 51/POJK.03/2017 concerning Sustainable Finance Implementation for Financial Services Institutions, Issuers, and Public Companies. The 2020–2024 observation period was chosen because it represents the post-COVID-19 economic recovery phase, characterized by increased sustainability reporting, accelerated financial digitalization, and strengthened corporate governance practices within Indonesia's banking sector.

The study population comprises all banking companies listed on the Indonesia Stock Exchange during the observation period. The sample was selected using purposive sampling, whereby firms were chosen based on predetermined criteria to ensure their suitability for addressing the research objectives (Sekaran and Bougie 2020). The selection criteria were as follows: (1) banking companies continuously listed on

the Indonesia Stock Exchange from 2020 to 2024; (2) firms that consistently published complete annual reports, sustainability reports, and corporate governance reports throughout the observation period; (3) firms with complete data required to measure all research variables; and (4) firms that were neither delisted nor permanently suspended during the study period. Based on these criteria, 11 banking companies were selected, yielding a balanced panel dataset consisting of 55 firm-year observations (11 firms × 5 years).

Table 3. Sample Selection Criteria

Criteria	Number of Firms
Banking companies listed on the Indonesia Stock Exchange	47
Firms excluded based on the sampling criteria	(36)
Final sample	11
Observation period	5 years (2020–2024)
Total firm-year observations	55

Table 4. Research Sample

No.	Code	Company
1	BBCA	PT Bank Central Asia Tbk
2	BBNI	PT Bank Negara Indonesia (Persero) Tbk
3	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk
4	BBTN	PT Bank Tabungan Negara (Persero) Tbk
5	BDMN	PT Bank Danamon Indonesia Tbk
6	BJTM	PT Bank Pembangunan Daerah Jawa Timur Tbk
7	BMRI	PT Bank Mandiri (Persero) Tbk
8	BNII	PT Bank Maybank Indonesia Tbk
9	BRIS	PT Bank Syariah Indonesia Tbk
10	BTPN	PT Bank BTPN Tbk
11	PNBN	PT Bank Pan Indonesia Tbk

The study utilizes secondary data collected from annual reports, sustainability reports, corporate governance reports, and audited financial statements published on the official websites of the Indonesia Stock Exchange and the respective companies. The use of secondary data enhances objectivity because these documents have been audited and publicly disclosed, thereby ensuring a high level of reliability for accounting and finance research (Sekaran and Bougie 2020).

The panel data regression model employed in this study is specified as follows:

$$ROAit = \alpha + \beta 1CSRit + \beta 2DKit + \beta 3KAit + \varepsilon it$$

ROA = Return on Assets of firm *i* in year *t*;
CSRDI = Corporate Social Responsibility Disclosure Index;
BDS = Board of Commissioners Size;
ACS = Audit Committee Size;
α = intercept;
β_1–β_3 = regression coefficients; and
ε = error term.

Panel data regression analysis was employed because it combines both cross-sectional and time-series dimensions, thereby providing more efficient parameter estimates than conventional regression models (Gujarati 2021; Wooldridge 2021). The empirical analysis was conducted using EViews 13 and considered three alternative panel data specifications: the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The most appropriate model was selected sequentially using the Chow test (CEM versus FEM), the Hausman test (FEM versus REM), and the Breusch–Pagan Lagrange Multiplier (LM) test (CEM versus REM). After identifying the optimal model, hypothesis testing was performed using the t-test to assess the partial effects of the independent variables, the F-test to evaluate their joint significance, and the adjusted coefficient of determination (Adjusted R^2) to determine the explanatory power of the regression model.

4. Results and Discussion

4.1 Descriptive Statistics

Descriptive statistics were used to describe the characteristics of the research variables through minimum, maximum, mean, and standard deviation values (Hair et al. 2022; Ghozali 2023).

Table 5. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Corporate Social Responsibility Disclosure Index (CSRDI)	55	19.00%	94.00%	43.69%	18.85%
Board of Commissioners Size	55	2	11	7.42	2.29
Audit Committee Size	55	3	9	5.13	1.48
Return on Assets (ROA)	55	−0.05%	4.54%	1.65%	1.10%

Source: Processed research data (2026).

The results indicate that CSR disclosure among Indonesian banking firms varies considerably, with an average CSRDI of 43.69%. The average board of commissioners and audit committee sizes are 7.42 and 5.13 members, respectively, suggesting relatively similar governance structures across firms. The average ROA is 1.65%, indicating moderate profitability during the observation period.

4.2 Panel Data Model Selection

Model selection was conducted using the Chow, Hausman, and Breusch–Pagan LM tests to determine the most appropriate panel regression model (Gujarati 2021).

Table 6. Panel Data Model Selection Results

Model Selection Test	Hypotheses	p-value	Decision
Chow Test	H_0: Common Effect Model (CEM) H_1: Fixed Effect Model (FEM)	0.0053	Fixed Effect Model (FEM)
Hausman Test	H_0: Random Effect Model (REM) H_1: Fixed Effect Model (FEM)	0.0549	Random Effect Model (REM)
Breusch–Pagan Lagrange Multiplier (LM) Test	H_0: Common Effect Model (CEM) H_1: Random Effect Model (REM)	0.0856	Common Effect Model (CEM)

Source: EViews 13 output (processed by the authors, 2026).

The Chow test indicates that FEM is preferable to CEM. However, the Hausman test suggests that REM is more appropriate than FEM. Subsequently, the LM test shows

that CEM is preferred over REM. Therefore, the Common Effect Model (CEM) was selected as the final estimation model.

4.3 Classical Assumption Tests

4.3.1 Multicollinearity Test

Multicollinearity was assessed using the correlation matrix. A correlation coefficient below 0.80 indicates the absence of serious multicollinearity problems (Gujarati & Porter 2009).

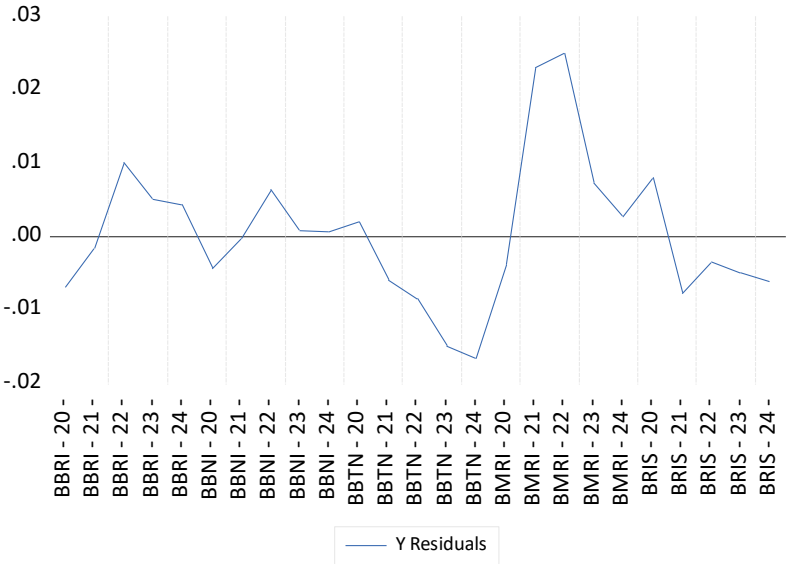
Table 7. Results of the Multicollinearity Test

Variable	CSRDI	Board of Commissioners Size	Audit Committee Size
CSRDI	1.000	0.538	-0.005
Board of Commissioners Size	0.538	1.000	0.498
Audit Committee Size	-0.005	0.498	1.000

Source: EViews 13 output (processed by the authors, 2026).

The highest correlation coefficient is 0.538, which is below the recommended threshold. Therefore, the model does not suffer from multicollinearity.

4.3.2 Heteroskedasticity Test



Source: EViews 13 output (processed by the authors, 2026).

Figure 3. Residual Scatterplot

The residual scatterplot shows a random distribution around the zero line without a clear pattern. Therefore, the model is considered free from heteroskedasticity problems and satisfies the homoskedasticity assumption.

4.4 Panel Data Regression Analysis

Based on the estimation results obtained using the Common Effect Model (CEM), the estimated regression equation is as follows:

$$\text{ROA} = -0.017772 + 0.022624\text{CSRDI} - 0.000049\text{BDS} + 0.003701\text{ACS} + \varepsilon$$

Table 8. Estimated Regression Equation

Variable	Coefficient	Direction of Effect	Interpretation
Constant	-0.017772	Negative	The predicted ROA when all independent variables are assumed to be zero.
Corporate Social Responsibility Disclosure Index (CSRDI)	0.022624	Positive	An increase in CSRDI is associated with an increase in ROA.
Board of Commissioners Size (BDS)	-0.000049	Negative	An increase in board size is associated with a slight decrease in ROA.
Audit Committee Size (ACS)	0.003701	Positive	An increase in audit committee size is associated with an increase in ROA.

Source: EViews 13 output (processed by the authors, 2026).

The results indicate that CSR disclosure and audit committee size positively influence ROA, while board size shows a negative coefficient. Statistical significance is further evaluated through hypothesis testing.

4.5 Simultaneous Significance Test (F-Test)

The F-test was conducted to assess the joint effect of the independent variables on ROA.

Table 9. Results of the Simultaneous Significance Test (F-Test)

F-statistic	Prob. (F-statistic)	Decision
6.014250	0.004010	Model is statistically significant (Goodness of Fit)

Source: Output EViews 13 (proceed by, 2026).

The test results indicate that the F-statistic is 6.014250, with a corresponding Prob. (F-statistic) of 0.004010, which is below the 0.05 significance threshold. Therefore, the regression model is considered statistically significant and demonstrates an acceptable goodness of fit. This finding indicates that the Corporate Social Responsibility Disclosure Index (CSRDI), board of commissioners size, and audit committee size jointly have a statistically significant effect on Return on Assets (ROA). Accordingly, the proposed regression model adequately explains the relationship between the independent variables and the dependent variable and is therefore appropriate for hypothesis testing. These findings further suggest that the combined effects of the three independent variables contribute significantly to explaining variations in the profitability of banking firms.

4.6 Coefficient of Determination (Adjusted R^2)

Table 10. Coefficient of Determination

R-squared	Adjusted R-squared
0,462128	**0,385289**

Source: Output EViews 13 (proceed by, 2026).

The Adjusted R-squared value of 0.385289 indicates that approximately 38.53% of the variation in Return on Assets (ROA) is explained by the independent variables included in the model, namely the Corporate Social Responsibility Disclosure Index (CSRDI), board of commissioners size, and audit committee size. The remaining 61.47% of the variation in ROA is attributable to other factors not incorporated into the research model, such as capital structure, firm size, liquidity, leverage, operational efficiency, and other corporate governance variables that may also influence the financial performance of banking firms.

4.6.1 The Effect of the Corporate Social Responsibility Disclosure Index on Return on Assets

The empirical results indicate that the Corporate Social Responsibility Disclosure Index (CSRDI) has a regression coefficient of 0.022624, with a t-statistic of 2.402947 and a p-value of 0.0256, which is below the significance level of $\alpha = 0.05$. Therefore,

the Corporate Social Responsibility Disclosure Index has a positive and statistically significant effect on Return on Assets (ROA), supporting the first hypothesis.

The positive regression coefficient suggests that a higher level of corporate social responsibility disclosure is associated with greater corporate profitability. More comprehensive CSR disclosure enhances stakeholder confidence, strengthens corporate reputation, and reinforces social legitimacy, all of which contribute to improved financial performance. This finding is consistent with Stakeholder Theory, which posits that firms capable of satisfying stakeholders' expectations are more likely to receive stakeholder support, thereby enhancing their long-term sustainability and profitability.

The findings are also consistent with previous empirical studies demonstrating that CSR disclosure positively influences corporate financial performance by improving corporate image, increasing customer loyalty, and strengthening investor confidence (Julialevi and Ramadhanti 2021; Nurdin 2024; Shabir et al. 2025).

4.6.2 The Effect of Board of Commissioners Size on Return on Assets

The estimation results show that board of commissioners size has a regression coefficient of −0.000049 with a p-value of 0.9635, which exceeds the 0.05 significance threshold. Accordingly, board of commissioners size does not have a statistically significant effect on Return on Assets (ROA), leading to the rejection of the second hypothesis.

This finding indicates that a larger board of commissioners does not necessarily improve corporate profitability. The primary responsibility of the board of commissioners is to oversee the policies and strategic decisions implemented by management rather than to participate directly in day-to-day operational activities (Affes and Jarboui 2023; Mantiri and Eriandani 2022; Verma et al. 2025). Consequently, the effectiveness of board oversight depends more on the quality, independence, experience, and expertise of board members than on the number of commissioners.

This result is consistent with the findings of (Nasirwan et al. 2025), who reported that the board of commissioners does not have a significant effect on corporate financial performance. Their study suggests that a larger board does not necessarily improve monitoring effectiveness and may even delay decision-making processes due to increased coordination complexity among board members.

4.6.3 The Effect of Audit Committee Size on Return on Assets

The empirical findings indicate that audit committee size has a regression coefficient of 0.003701, with a t-statistic of 3.282989 and a p-value of 0.0035, which is below the 0.05 significance level. Therefore, audit committee size has a positive and statistically significant effect on Return on Assets (ROA), supporting the third hypothesis.

The positive regression coefficient indicates that larger audit committees are associated with higher levels of corporate profitability. An adequately structured audit committee enhances oversight of the financial reporting process, strengthens internal control systems, and promotes compliance with the principles of Good Corporate Governance (GCG). Effective monitoring reduces managerial opportunistic behavior, minimizes the risk of financial misstatements, and increases investor confidence, ultimately leading to improved financial performance.

These findings suggest that the audit committees of the banking firms included in this study have performed their oversight responsibilities effectively, thereby contributing to improvements in Return on Assets (Affes and Jarboui 2023; Verma et al. 2025). This result differs from the findings of (Nasirwan et al. 2025), who reported that audit committee size does not significantly affect financial performance because audit committees often function primarily as a regulatory compliance mechanism rather than as an effective governance body. This discrepancy may be attributable to differences in sample characteristics, observation periods, industry sectors, or the financial performance measures employed across studies.

5. Conclusion, Implications, and Future Research

This study aimed to examine the effects of the Corporate Social Responsibility Disclosure Index (CSRDI) and Good Corporate Governance (GCG), proxied by board of commissioners size and audit committee size, on the Return on Assets (ROA) of banking companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Based on the panel data regression analysis using the Common Effect Model (CEM), the findings reveal that the Corporate Social Responsibility Disclosure Index (CSRDI) has a positive and statistically significant effect on Return on Assets (ROA). This result indicates that a higher level of CSR disclosure, measured in accordance with the Global Reporting Initiative (GRI Standards), is associated with superior financial performance. More comprehensive CSR disclosure enhances stakeholder confidence, strengthens corporate reputation, and creates additional value that contributes to improved corporate profitability.

Furthermore, the results indicate that board of commissioners size does not have a statistically significant effect on Return on Assets (ROA). This finding suggests that the number of board members alone does not necessarily reflect the effectiveness of the board's monitoring function or contribute directly to improved financial performance. Rather, effective corporate oversight depends more on the quality, competence, independence, and professionalism of board members in carrying out their supervisory responsibilities. In contrast, audit committee size has a positive and statistically significant effect on Return on Assets (ROA). This finding demonstrates that an effective audit committee strengthens internal control systems, enhances the quality of financial reporting, and supports the implementation of Good Corporate Governance principles, thereby contributing positively to corporate profitability. In addition, the simultaneous test indicates that CSRDI, board of commissioners size, and audit committee size jointly have a significant effect on ROA. The regression model explains 38.53% of the variation in financial performance, while the remaining 61.47% is attributable to other factors not included in the research model.

The findings of this study have several practical implications. Banking companies should continue to improve the quality and comprehensiveness of Corporate Social Responsibility disclosure in accordance with the Global Reporting Initiative (GRI

Standards) while strengthening the role of the audit committee as a key governance mechanism for enhancing corporate oversight and accountability. Although board of commissioners size was not found to have a significant effect on financial performance, banks should continue to emphasize the quality, competence, independence, and effectiveness of board members rather than focusing solely on board size.

This study is subject to several limitations. First, it focuses exclusively on banking companies listed on the Indonesia Stock Exchange and examines only three independent variables over the 2020–2024 observation period. Consequently, the findings may not be fully generalizable to other industries or institutional settings. Future research is therefore encouraged to expand the sample to other sectors, extend the observation period, and incorporate additional determinants of financial performance, such as firm size, leverage, institutional ownership, managerial ownership, board independence, and broader Environmental, Social, and Governance (ESG) indicators. Furthermore, employing more advanced analytical approaches, such as dynamic panel models using the Generalized Method of Moments (GMM) or models incorporating mediating and moderating variables, may provide deeper insights into the complex relationships among Corporate Social Responsibility, Good Corporate Governance, and corporate financial performance.

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