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Corporate Social Responsibility and Firm Financial Performance: The Mediating Role of Firm Innovation

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Abstract
This study aimed to determine the effect of Corporate Social Responsibility (CSR) on the financial performance of companies in the mining sector listed on the Indonesia Stock Exchange (IDX) in 2018-2021. It also aims to explore the role of corporate innovation as a mediating factor in the link between CSR and financial performance. The sampling technique in this study was purposive sampling. Path analysis is used as a data analysis technique in this study. The results of the study show that CSR has a positive effect on financial performance and firm innovation. In addition, firm innovation has a positive effect on financial performance. The results also support the partial mediating effect of firm innovation on the relationship between CSR and corporate financial performance. The findings of this study can increase stakeholder awareness of the importance of CSR. This is because CSR is proven to be one of the important drivers for companies to be more innovative and gain competitive advantage

Keywords:
Corporate Social Responsibility, Financial Performance, Firm Innovation, Stakeholder Theory

INTRODUCTION

Currently, the development of the world economy is moving so rapidly that companies are required to have a strategy to survive in the face of intense competition. This is important because the company's main goal is to increase wealth. The company's steps in achieving this are to maximize firm performance (Wijaya et al., 2022). Firm performance is based on business activities within a certain period (Fajaryani & Suryani, 2018). Financial performance is important for management in establishing a policy and making decisions. Financial performance refers to the company's effectiveness and efficiency in utilizing assets and capital to generate income and profits (Wahlen et al., 2018). This is also an indicator for assessing shareholders to what extent the company can maximize profits in fulfilling its satisfaction (Freeman & McVea, 2005; Friedman, 2007; Primatama & Kawedar, 2022).

Most companies not only aim to obtain maximum profits for internal parties but also must provide welfare to external parties and fulfil corporate social responsibility (CSR) for business continuity in the future (Bahta et al., 2020). Issues related to CSR are very broad, covering issues related to society, environmental sustainability, legal compliance, management, market relations, welfare activities and workers' rights (Sheehy, 2014; Waheed & Yang, 2019). Other benefits that companies implementing CSR will obtain are a positive image and reputation (Togun & Nasieku, 2015), providing competitive advantage (Kramer & Porter, 2018), increasing legitimacy and public recognition in the market environment (Esposito De Falco et al., 2021).
According to stakeholder theory, a company is an entity that provides benefits and value not only for internal interests but also for stakeholders (Freeman & McVea, 2005). Stakeholders include company owners, investors, consumers, employees, suppliers, government and society. So, all company activities must also consider the impact directly or indirectly on stakeholders. With these considerations, the company

certainly gains legitimacy and support from stakeholders (Masruroh & Makaryanawati, 2020).

Indonesian Government Regulation (PP) No. 47 of 2012 concerning Social and Environmental Responsibility Limited Liability Companies regulate social and environmental responsibility to realize sustainable economic development by improving the quality of life and the environment that benefits the local community. In addition, this regulation supports the implementation of CSR in Indonesia. Its activities must be budgeted and calculated as a fair and reasonable cost to fulfil social and environmental responsibilities. Nonetheless, the application of CSR in Indonesia has yet to be effective due to many misconceptions about CSR (Cheung et al., 2010). Companies implementing CSR tend to have a good image and reputation in front of stakeholders. This certainly affects stock returns and improves firm financial performance both in the short and long term (Afifah & Syafruddin, 2021).

Based on the results of several studies, it has been shown that CSR has a positive effect on financial performance (Cegarra-Navarro et al., 2016), and a negative influence (Lu et al., 2014). However, there are also those who show research results which state that CSR has no effect on financial performance (McWilliams & Siegel, 2000). This implies the need for further research regarding the effect of CSR on financial performance. In several previous studies, there are many factors that can influence the relationship between CSR and financial performance, such as intangible resources including innovation (Surroca et al., 2010). Innovation is used as an element of organizational culture that must be adopted to provide strategic policies in order to gain competitive advantage and corporate survival (Hanaysha et al., 2022).

Several previous studies have also revealed that CSR and firm innovation are used to enhance company reputation, provide satisfaction to stakeholders, improve social image and company competitiveness (Bocquet et al., 2013; Caputo et al., 2017; Kim et al., 2014). Several studies also show empirical results that companies with greater CSR activities have higher innovation and launch more new products (Battaglia et al., 2014; Guerrero-Villegas et al., 2018; Luo & Du, 2015). Meanwhile, previous researchers also provided an overview of the influence of firm innovation on the firm financial performance. Most empirical research states that innovation positively affects financial performance (Agyapong et al., 2017; Arranz et al., 2019; Chen et al., 2020; Ramadani et al., 2019). This indicates that companies with innovation can improve financial performance.

However, Latifi et al. (2021) research revealed that a company's business innovation does not directly affect the financial performance. Previous researchers also suggested that future researchers use firm innovation as a mediating variable for the influence of CSR on financial performance (Anser et al., 2018; Bahta et al., 2020). Surocca et al. (2010) argue that the relationship between CSR and financial performance is indirect and depends on the mediating effect of intangible resources such as firm innovation.

The types of companies that are the focus of this research are those in the mining sector, listed on the Indonesia Stock Exchange (IDX) for 2018-2021. The mining sector was chosen because Indonesia is a developing country with high energy production and consumption levels. According to the *'BP Statistical Review of World Energy'* published in 2021, Indonesia is the second largest coal producer in the world by consumption rate 66% both domestically and export (British Petroleum, 2021).

Dependence on increasing energy consumption certainly impacts environmental damage and sustainability in the future (Suaidah, 2018).

With various gaps in the results of previous research, this research was conducted to find out more about the influence of CSR on financial performance and is mediated by firm innovation. The reason for choosing the research sample is also based on previous arguments, which state that this type of company is the largest sector using natural resources. Therefore, the level of concern for corporate social and environmental responsibility needs to be studied further.

Theorical Framework and Hypotheses development

1. Stakeholder theory

Stakeholder theory is a theory about strategy that requires managers to implement business processes that provide satisfaction to groups or parties who have a stake(R. E. Freeman & McVea, 2002). Conceptually, modern stakeholder theory stipulates that companies should maximize benefits for groups interested in the company (R. E. Freeman, 1984). This is because stakeholders are seen as contributing to the company's added value creation capacity and receiving benefits and risks (Post et al., 2002). Providing satisfaction to stakeholders is a means for companies to maximize the company's total wealth (Jones & Wicks, 1999). With this concept, there is a functional relationship based on partnership or cooperation with stakeholders outside the company to improve the quality and sustainability of the company.

2. Corporate Social Responsibility and Firm Performance

Methods

CSR activities disclosed by companies can increase reputation and satisfaction to stakeholders and strong competitiveness (Bocquet et al., 2013; Caputo et al., 2017; Kim et al., 2014). The impact is that it will affect the improvement of the financial performance both in the short and long term. This opinion is based on previous researchers' findings, but research on CSR and firm performance still needs to be more conclusive or reviewed and more extensive (Park, 2017). Positive influences can be found in research that discusses stakeholder theory, where research results reveal that social responsibility and performance can improve financial performance (Zahid et al., 2021).

This means that a company, by disclosing CSR activities, can increase firm value and reputation in the long term. This can be achieved by increasing capital efficiency to foster investor confidence and ensure that companies enjoy consistent income (Afifah & Syafruddin, 2021; Alikaj et al., 2017; Cegarra-Navarro et al., 2016). Nonetheless, the results of other studies argue that companies tend to be opportunistic because they prefer to take advantage rather than care about the social environment (Iwu-Egwuonwu, 2010). Based on the elaboration of some of the results of previous research, it can be concluded that the hypothesis is as follows:

H1: CSR is positively related to the firm financial performance.

3. Corporate Social Responsibility and Firm Innovation

CSR activities certainly require collaboration with stakeholders. So, in this relationship, commitments related to organizational improvement often arise, such as improving existing and new services and creating new products (Rexhepi et al., 2013; Ullah & Sun, 2021). With CSR activities, you can also get new business opportunities for certain social and environmental needs, such as alleviating poverty, inequality or climate change (Ratajczak & Szutowski, 2016). CSR also creates a more innovative work environment by encouraging employee participation and creativity (Rexhepi et al., 2013). Previous studies have shown that innovation will increase if companies consistently implement and report CSR activities (McWilliams & Siegel, 2000; Surroca et al., 2010).

Companies involved in CSR activities tend to generate economic benefits and innovations (Bocquet & Mothe, 2011). In line with this opinion, managers also regard CSR as an important driver of innovation for companies (Husted & Allen, 2006). Other empirical research also shows that CSR positively affects firm innovation (Battaglia et al., 2014; Guerrero-Villegas et al., 2018; Luo & Du, 2015). This shows that CSR practices can create value for companies by implementing innovation, for example, by offering new products. Therefore, researchers suspect that CSR can encourage companies to implement innovation in each of their production activities, so the hypothesis formulated is as follows:

H2: CSR is positively related to the firm innovation.

3. Firm Innovation and Firm Performance

Innovation is developing and implementing or creating new products, services, processes, technologies, administrative systems, or structures within an organization (Kör & Maden, 2013). Innovation is considered one of the most important aspects of the business world. Especially when companies are required to understand global economic conditions that change so quickly, thus enabling companies to meet market needs (Agyapong et al., 2017). Not only that, several kinds of literature have highlighted that the adoption of innovation by companies can impact optimizing resources and the efficiency of human resources involved in every production activity (Damanpour & Aravind, 2012). This shows that companies that have well-developed innovation can produce superior performance.

Many empirical studies have confirmed innovation's effect on a firm financial performance. For example, Chen et al. (2020), using a sample of 265 manufacturing companies in China, found that the innovations used and implemented by companies can affect firm performance. This is also in line with what was done by Damanpour and Schneide (2006), who found that innovative companies tend to show better job improvements. For example, in terms of reducing costs and providing satisfaction to workers, it has an impact on increasing company productivity. Most of the other empirical studies also state that innovation positively affects financial performance (Agyapong et al., 2017; Arranz et al., 2019; Ramadani et al., 2019). This certainly supports what is in stakeholder theory, where the arguments from the results of several studies show that firm innovation can encourage economic exchanges for stakeholders and can increase added value for companies Latifi et al., 2021).

H3: Firm innovation has a positive effect on firm performance.

4. Mediation Effect of Firm Innovation

Research on the impact of CSR on the financial performance has yet to conclude. This is based on McWilliam & Siegel (2000), argument that research on the positive and negative relationship between CSR and firm performance results from inconsistent empirical analysis. This is because research on CSR and firm performance does not consider other variables. According to research conducted by Surroca et al (2010), intangible resources (such as innovation, reputation and culture) can affect the relationship between CSR and firm performance. The research results show no direct relationship between CSR and firm performance. This means that the intangible resource variable must function as a mediator in studying the influence of CSR on the firm financial performance

The above argument is supported by many studies on how CSR helps companies' financial performance through innovation (Al-Shuaibi, 2016; Bahta et al., 2020; Guerrero-Villegas et al., 2018; Hull & Rothenberg, 2008; Mishra, 2017; Saeidi et al., 2015; Surroca et al., 2010; Zahid et al., 2021). This is because CSR and the firm's financial performance, as well as intangible resources such as innovation, can respond to stakeholders' requests from the perspective of stakeholder theory. As stated by Freeman (1984), this company's ability is the main capital to reduce transaction costs, increase the trust of various parties and gain competitive advantage. Based on the elaboration of some of the results of previous research, it can be concluded that the hypothesis is as follows:

H4: Firm innovation mediates the effect of CSR on company financial performance.

METHOD

1. Data Collection and Sample

Researcher use mining companies listed on the IDX from 2018 to 2021 and publish annual reports and sustainability reports. This is to the research proposal conducted by Canh et al (2019), where researchers suggest using a time variation of three to five years. The aim is to see how deep and broad the reach of CSR can affect a company's financial performance through firm innovation. Therefore, the results of this study provide more up-to-date conclusions along with the influence of economic development trends and technological advances in this research period.

A purposive sampling technique is used to get a representative sample that meets pre-determined criteria. The criteria used by researcher to determine the research sample are mining sector companies that should have reported consecutively in 2018-2021. Second, mining sector companies that do publish sustainability reports in the 2018-2021 period. Based on the research sampling technique, 19 companies have been based on criteria. Sampling was carried out on a study population of 180 companies in the mining sector.

2. Measurement of Variables

2.1 Financial Performance

Return on Assets (ROA) is used to measure financial performance in this study. ROA is measured based on the company's net profit after tax on reported total assets (Gunday et al., 2011). This is by research conducted by Guerro-Villegas et al.(2018) and Canh et al. (2019), where ROA is one of the best measures for measuring objective performance. According to Kasmir (2015) the formula that can be used is as follows:

$$\text{ROA} = \frac{Profit\ after\ Tax}{\text{Total Assets}}$$

2.2 Corporate Social Responsibility

In this study, CSR is used as an independent variable. CSR is measured through content analysis techniques, where researchers observe CSR disclosure in sustainability reports owned by companies based on existing regulations, namely the Global Reporting Initiative (GRI)-G4. The formula developed by Matten & Moon (2008) to measure the CSR disclosure index is as follows:

CSR disclosure index (CSRDI) : $\frac{\Sigma xij}{nj}$x100%

2.3 Firm Innovation

The Firm innovation variable is measured using content analysis, in which researcher observe product and process innovation owned by the company. Furthermore, firm innovation is measured using a dummy variable if it applies (1) and if not (0) (Bocquet & Mothe, 2011; Canh et al., 2019; Manual, 2005). This is in line with research by Bouquet et al.(2013) and Canh et al. (2019), where "*companies introduce new goods or significantly improved goods"* as an indicator of product innovation. Process innovation is assessed by "*introducing a method or production of new or significantly improved goods or services (producing goods)*".

3. Data Analysis

Path analysis is the method used in this study to find patterns of relationships between variables. The generic term path analysis is a simple bivariate correlation analysis method for estimating relationships in a regression model. Path analysis also uses regression analysis to calculate causal relationships between variables.(Hair et al., 2019). Data analysis to test the hypothesis in this study used SPSS 26.0 software.

To test the mediating effect, researcher used the Sobel test. According to Hair et al. (2019), a mediating effect occurs when intervening or intermediary variables affect the relationship between the independent and dependent variables. A Sobel test was performed with information about the estimated coefficients and standard errors to test the significance of the indirect effect

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RESULTS AND DISCUSSION

RESULTS

Path Analysis Results (Model 1)

Based on the output of the Model 1 regression test, it was found that the CSR variable (X) had a significant positive effect on the company's innovation variable (Z). This is indicated by a beta coefficient of 0.431 and a significance value of 0.000<0.050. In addition, the regression results also show an R Square (R^2) value of 0.186. This means that the contribution of the CSR variable (X) to firm innovation (Z) is 18.6%, while other variables outside the model explain the remaining 81.4%.

Table 1. Results of Path Analysis Model 1

Variabel	Koefisien Unstandarized	Koefisien Standarized (Beta)	*t*	Sig.
Konstanta	0.50	-	2.239	0.028
CSR	1.644	0.431	4.114	0.000
R^2 : 0.186				
e^1 : 0.902				
N : 76				

Source: Secondary data, processed in 2023.

Path Analysis Results (Model 2)

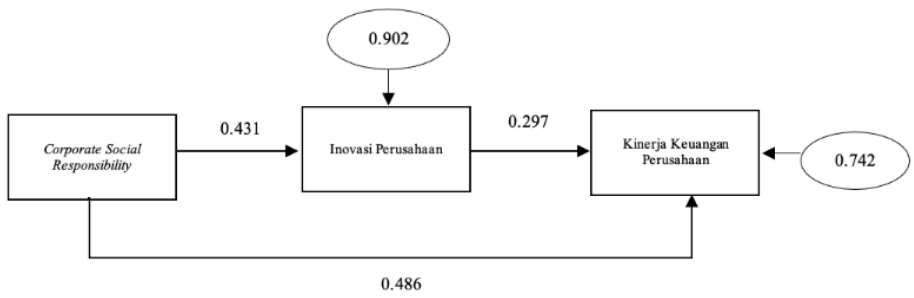
Based on the output of the regression test on model 2, it is known that the Corporate Social Responsibility (X) variable has a positive and significant effect on the financial performance variable (Y). This is indicated by the beta coefficient value of 0.486 with a significance value of 0.000<0.050. Firm innovation (Z) also has a positive and significant effect, reflected in the beta coefficient value of 0.297 with a significance of 0.003<0.050. Furthermore, the regression results also show an R Square (R^2) value of 0.449. This means that the contribution of the variable CSR (X) and firm innovation (Z) simultaneously to the company's financial performance variable (Y) is 44.9%, while other variables outside the model explain the remaining 55.1%.

Table 2. Results of Path Analysis Model 2

Variabel	Koefisien Unstandarized	Koefisien Standarized (Beta)	*t*	Sig.
Konstanta	-12.382	-	5.642	0.000
CSR	21.060	0.486	5.042	0.000
Inovasi	3.381	0.297	3.084	0.003
R^2 : 0.449				
e^1 : 0.742				
N : 76				

Source: Secondary data, processed in 2023.

Figure 1. Path Analysis Model



Based on the path analysis model figure above, it is known that the Corporate Social Responsibility variable has a direct effect of 0.486. The magnitude of the indirect effect (X-Z-Y) is calculated by multiplying the indirect coefficient, namely (0.431) (0.297) = 0.128. Furthermore, based on the image of the path analysis model in this study, it is known that the regression model equation is as follows:

$Z = 0.431 + 0.902$

$Y = 0.486 + 0.297 + 0.742$

Sobel Test Results

The Sobel test was conducted to determine the mediating effect used by researcher to test the significance of the indirect effect. In this test, the researcher uses information about the coefficients and standard errors obtained from the results of the previous path test. If the Z value is greater than 1.96 with a significance level of 0.05, there is a mediating effect (Hair et al., 2019). A Z value of 2.290>1.96 is obtained based on the calculation results. So, it can be concluded that the mediation coefficient is 0.128 significant, which means there is a mediating effect (Hair et al., 2019).

2. Discussion

CSR and Financial Performance

Based on the research results, it is known that CSR positively affects a firm financial performance Therefore, the higher the company's CSR disclosure, the higher the profit it can get. Conversely, if the company is indifferent to CSR activities and information disclosure, it will affect its business performance. CSR is a company policy implemented to impact transparency and actions through ethical behaviour, aiming for a good reputation (Sheehy, 2014). This study's findings align with research conducted by Afifah & Syarifuddin (2021) which proves that CSR disclosure can affect superior financial performance and increase the value of a company's reputation and growth.

With capital efficiency carried out by the company, cutting costs for immaterial uncertainties, and building investor confidence through CSR disclosure, the company can obtain a more stable income.

The results of this study also support stakeholder theory, with positive CSR disclosure that can improve good relations with stakeholders (Perrini, 2005; Zahid et al., 2021). his strong relationship will certainly benefit the company, as well as reduce the impact of operational risks and regulatory barriers. Thus, the company will get greater access to resources and business opportunities. A good reputation and image owned by the company will also attract consumers and investors who are aware of the environment and society without compromising economic value (Cho et al., 2019; Cordeiro & Tewari, 2015; Kramer & Porter, 2018; Waheed & Yang, 2019). Through CSR practices that the company has carried out, management can identify the magnitude of environmental, social and governance risks that impact financial performance. As stated by Cordeiro & Tewari (2015), companies will avoid various potential sanctions or bad reputations that can affect their financial results by adopting a strategy of sustainable business practices.

These results also support some of the findings in other previous studies. For example, Cegarra-Navarro, et al. (2016) to achieve the goal of a higher level of corporate financial performance, support from CSR strategies is needed. This is a separate reason for providing answers to stakeholders who may be more sensitive to company activities' social and environmental impacts. Consistent with these results, companies that adopt activities and disclose CSR can be used strategically to improve financial performance. Moreover, companies in the mining sector that often carry out export activities pay greater attention to CSR (Alikaj et al., 2017).

CSR and Firm Innovation

The results of the study show that CSR has a positive effect on firm innovation. The results support some of the findings of previous studies. Companies that disclose CSR tend to gain economic benefits and innovations. This shows that company managers regard CSR as one of the drivers of innovation (Battaglia et al., 2014; Bocquet & Mothe, 2011; Guerrero-Villegas et al., 2018; Husted & Allen, 2006; Luo & Du, 2015). The results of this study are also in line with research conducted by Bahta et al. (2020), where companies must make significant efforts with CSR to overcome economic, social and environmental problems to increase competitiveness through the company's innovation capabilities. This is because the company's CSR disclosure can promote an innovation that the company owns. After all, sustainability behaviour intersects with new ways of working and new product development.

The research results support the stakeholder theory by increasing the firm's innovative power with CSR activities, which will impact stakeholder groups' trust (Surroca et al., 2010). With this high level of trust, companies can advance their competitive position in the mining sector. Coupled with the company's involvement with local stakeholder groups will add to the company's innovation capabilities, which can be obtained through information gathering distributed by stakeholder groups (Bahta et al., 2020). As is known, several companies in the mining sector consistently absorb all the aspirations of local communities who are also affected by company activities. Thus, the company can make innovative efforts to mitigate negative impacts.

Firm Innovation and Financial Performance

Firm innovation is a strategy related to new systems, activities and mindsets whose goals can impact business performance by having a competitive advantage (Damanpour & Schneider, 2006; Gaynor, 2002). That is, the novelty that the company owns can be called innovation. This can be seen in the business world, where many companies or manufacturers have various ideas to bring up a new product or system (Damanpour, 1991). In addition, the goal of adopting innovation is to meet the demands of stakeholders, especially consumers (West & Anderson, 1996).

The results of the analysis show that firm innovation has a positive effect on a firm financial performance. Therefore, the higher the level of adoption and innovation capability owned by the company, the higher the profit level for the company. This is because the mining sector is a real sector that contributes to the production and supply of natural resources, which impacts the domestic economy. So that the level of success in innovation for companies can increase operational efficiency competitiveness and open up new market opportunities (Hanaysha et al., 2022).

In addition, the results of this study also support stakeholder theory. Where corporate innovation can pay attention to the interests of stakeholders, with the innovation capabilities possessed by companies, of course, it can be used to improve reputation, provide satisfaction to stakeholders and competitiveness (Bocquet et al., 2013; Caputo et al., 2017; Kim et al., 2014). Therefore, the success of a company can be based on how efficiently and creatively the organization manages its market conditions with the aim of long-term growth (Arranz et al., 2019; Cantele & Zardini, 2018; Hadj, 2020; Ouedraogo & Koffi, 2018).

Mediation Effect of Firm Innovation

Based on the path analysis results, CSR positively influences financial performance in an indirect relationship through the mediating role of corporate innovation. This indicates that the higher the innovation the company owns, the more it will encourage disclosure of CSR activities, contributing to improving financial performance. These findings can provide deeper insight into how CSR can influence financial performance through innovative efforts carried out by companies. These results are consistent with research conducted by Bahta et al. (2020), where innovation can mediate the influence of CSR on financial performance. This shows that innovation is an important factor in achieving firm performance. These results also support the stakeholder theory argument, in which CSR is one of the important drivers for companies to be more competitive, innovative, effective and efficient. The results of this study can also increase stakeholder awareness regarding CSR activities, innovation capabilities and financial performance.

Furthermore, the indirect effect of CSR on financial performance through the dimensions of corporate innovation provides new perceptions for stakeholders, namely about the fact that the company exists to fulfil its responsibilities with the potential to earn more profits due to the good image of the company through product and process improvements (Cegarra-Navarro et al., 2016). The findings of this study also support the results of Canh et al. (2019), that industrialization and economic modernization strategies are important. In the current era, product innovation, process innovation and other corporate strategies, including CSR, specifically support corporate sustainability. The strategy can help companies maintain competitive advantage in global and national markets.

The results of this study are also consistent with other previous studies. The study conducted by Martinez-Conesa (2017) shows that companies that are most proactive in CSR activities become companies with the best performance. Of course, with the support of the innovation role that is owned, CSR performance on company profitability can increase by increasing the company's innovation performance. Integrating CSR and innovation strategies is one way to generate added value for the company. Conceptually, business sustainability comes from sustainable development, which intersects with CSR (Montiel, 2008). Where corporate social responsibility is a strategy that has normative goals and is integrated with business sustainability.

Business continuity is a major thing for companies in the mining sector. Based on the results of observations made on the profitability ratios to measure the financial performance of the research sample, it is known that the average ROA in this sector has experienced significant fluctuations. In 2020, companies in the mining sector experienced a very extreme decline in average profitability ratios. The average in 2020 is -0.48, very low compared to the previous year, with an average value of 3.82. This decrease in the value of ROA illustrates that companies in the mining sector need to be more optimal in their activities to earn profit on their total assets. This also means that the company has yet to reduce operational or other costs, which are also considered in the company's profits.

This condition is also influenced by several factors, such as the Covid-19 pandemic. As is well known, in Indonesia, the COVID-19 virus attack was detected in early 2020, and in the following months, this virus spread to several regions. To minimize the impact caused by the pandemic, the Government issued several policies such as Work Form Home (WFH) and Large-Scale Social Restrictions (PSBB). This policy impacts all production activities and the company's supply chain (Devi et al., 2020). Companies in the real sector, including the mining sector, are also affected by this policy. However, as time passed, the economy improved, and companies could adapt to these conditions. This can be seen in the average profitability ratio of the research sample in 2021, which experienced a recovery, namely an increase of 5.11.

CONCLUSION

This study aims to determine the effect of corporate social responsibility (CSR) on corporate financial performance, with firm innovation as an intervening variable. Based on the research results of various tests described in the previous session. The conclusions of this study are, firstly, based on the research results, it shows that CSR positively affects the firm financial performance This means that the higher the level of disclosure of CSR activities carried out by companies in the mining sector, the higher the level of firm profitability.

Second, the results of the regression test show that CSR has a positive influence on firm innovation. This means that the company's innovation level also depends on the disclosure of CSR activities. The more consistent companies in the mining sector disclose CSR, the higher the level of innovation the company implements. Third, firm innovation affects the firm financial performance That is, the level of innovation owned by the company, both process innovation and product innovation, the higher the level of return on profits that the company will receive.

Furthermore, based on the model 2 path test results, namely the indirect effect of CSR on the financial performance through the mediation role of firm innovation. It is known that firm innovation can mediate the influence of CSR on a company's financial performance; therefore, the level of adoption and implementation of innovation by companies can affect the impact of CSR on firm performance.

This research has limitations, but there are some areas for improvement. This study uses panel data types, which causes limitations to the year of observation or the duration of the panel study. So, it is impossible to observe the long-term trend of the company's condition as reflected in the research variables. Practically, the results of this study can be a consideration for companies in the mining sector to pay more attention to the impacts arising from the company's operational activities. As is known, the mining sector is a sector that directly utilizes natural resources to be utilized as a product. So, CSR activity is the only step for the negative impact caused by this. In addition, the consistent level of CSR disclosure carried out by the company also affects the level of trust of the stakeholders.

Furthermore, future researchers are expected to be able to enrich the topic of the influence of CSR on company financial performance, especially in Indonesia. This can be done by expanding the types of mediator or moderator variables that affect the relationship between CSR and the financial performance, such as corporate reputation, stakeholder relations and human capital development. Furthermore, future researchers can use data analysis tools such as SmartPLS and Structural Equation Modeling (SEM) to conduct more comprehensive research.

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