

# Analyzing the Influence of Financial Performance on CSR Expenditure: The Mediating Role of Sales Growth in Indonesia's Mining Sector

*Influence of Financial  
Performance on CSR  
Expenditure*

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## **ABSTRACT**

*This study empirically examines the influence of financial performance measured by profitability and leverage on Corporate Social Responsibility (CSR) expenditure among mining sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period. In addition to examining the direct relationships, the study also tests the mediating role of the sales growth rate (SGR) in bridging the effect of profitability and leverage on CSR expenditure. The data used are secondary data obtained from companies' annual and sustainability reports, comprising a total of 54 observations over three years. The analysis employed multiple linear regression and the Sobel test to assess the effects of variables. The findings reveal that both profitability and leverage have a significant negative effect on CSR expenditure, while sales growth does not mediate these relationships. These results underscore that financial pressures during and after the COVID-19 pandemic have led companies to prioritize financial efficiency over CSR allocation, even when experiencing sales growth. By adopting agency theory as the conceptual framework, this study contributes to the advancement of sustainability accounting literature, both in academic discourse and corporate practice, particularly within the mining sector, which is highly vulnerable to global economic fluctuations and environmental regulatory pressures.*

**Keywords:** Agency Theory, CSR Expenditure, Financial Performance, Mining Sector, Sales Growth, Sustainability Accounting.

## **ABSTRAK**

*Studi ini secara empiris mengkaji pengaruh kinerja keuangan yang diukur melalui indikator profitabilitas dan leverage terhadap pengeluaran Corporate Social Responsibility (CSR) pada perusahaan sektor pertambangan yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2021-2023. Selain menguji hubungan langsung tersebut, penelitian ini juga menguji peran mediasi dari tingkat pertumbuhan penjualan (SGR) dalam menjembatani pengaruh profitabilitas dan leverage terhadap pengeluaran CSR. Data yang digunakan merupakan data sekunder dari laporan tahunan dan laporan keberlanjutan perusahaan, dengan total 54 observasi selama tiga tahun. Analisis dilakukan menggunakan regresi linier berganda dan uji Sobel untuk menilai pengaruh antar variabel. Temuan menunjukkan bahwa baik profitabilitas maupun leverage memiliki pengaruh negatif yang signifikan terhadap pengeluaran CSR, sementara tingkat pertumbuhan penjualan tidak memediasi hubungan tersebut. Temuan ini mengindikasikan bahwa tekanan keuangan yang dialami perusahaan selama dan setelah pandemi COVID-19 telah mendorong manajemen perusahaan untuk memprioritaskan efisiensi finansial dibandingkan alokasi dana*

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*CSR, bahkan ketika perusahaan mengalami pertumbuhan penjualan. Dengan mengadopsi teori agensi sebagai kerangka konseptual, studi ini memberikan kontribusi terhadap pengembangan literatur akuntansi keberlanjutan, baik dalam diskursus akademik maupun praktik korporasi, khususnya pada sektor pertambangan yang sangat rentan terhadap fluktuasi ekonomi global dan tekanan regulasi lingkungan.*

**Kata kunci:** *Teori Agensi, Pengeluaran CSR, Kinerja Keuangan, Sektor Pertambangan, Pertumbuhan Penjualan, Akuntansi Keberlanjutan.*

## **INTRODUCTION**

The vision of an increasingly threatened Earth raises critical environmental concerns, especially regarding industries that exploit natural resources. The mining sector is among the most impactful in terms of environmental degradation, contributing significantly to negative ecological outcomes (Parwati & Dewi, 2021; Fina et al., 2024; Siregar et al., 2025). Recognizing these challenges, the Indonesian government has actively promoted corporate environmental responsibility through a range of laws and regulations. Notably, activities once considered voluntary are now mandated by Law No. 40 of 2007, compelling companies to adopt Corporate Social Responsibility (CSR) practices, particularly regarding environmental costs (Mudah & Retnani, 2020; Zainab & Burhany, 2020; Ulla et al., 2023; Tjondro et al., 2024; Lucky et al., 2024). This regulatory framework elevates CSR to a priority status that mining companies cannot overlook (Subaida & Triska, 2023; Fina et al., 2024).

Despite its mandatory nature, CSR implementation is often perceived as a financial burden, potentially jeopardizing a company's financial performance (Sulaeman et al., 2022; Wulandari & Rahmawati, 2023). This perception intensified during the COVID-19 pandemic, when financial performance became crucial for operational continuity (Masripah & Arieftiara, 2025). This situation can be analyzed through agency theory, which emphasizes the conflict of interest between management and other stakeholders (Mudah & Retnani, 2020). Furthermore, inadequate financial capacity is a major obstacle to optimal CSR spending. Rosa and Octaviani (2020) argue that while financially strong companies generally have greater CSR funding capabilities, complexities involving leverage, profitability, and market capitalization can limit their involvement. Empirical evidence from Putra and Setiawan (2022) and Lucky et al. (2024) suggests that businesses often prioritize financial success factors.

Such dynamics reveal a complex relationship between financial performance and CSR spending, requiring balanced management to sustain growth (Fauziah et al., 2024). However, previous studies show mixed results. Lucky et al. (2024) found no profitability effect but a negative leverage effect on CSR, while Tjondro et al. (2024) reported the opposite. Parwati and Dewi (2021) confirmed profitability's influence, contrasting Chakroun et al. (2017) and Ulla et al. (2023). Similarly, findings on leverage effects differ (Putra & Setiawan, 2022). Most studies emphasize CSR disclosure rather than actual spending; thus, this study applies the Environmental Cost Ratio (ECR) to measure real CSR expenditures.

Furthermore, previous studies such as Bhattacharyya and Imam (2024) and Nirwansyah et al. (2025) tend to neglect the analysis of actual resource allocation in CSR, despite its crucial role in measuring corporate social engagement. This study fills this gap by quantitatively analyzing ECR, which enriches the understanding of how financial performance influences concrete CSR expenditures. This approach contributes to the expansion of the sustainability accounting literature and provides managerial insights for developing better CSR policies. Studies by Pradnyani et al. (2017) and Hunafah and Zahwa (2022) also investigate mediating factors, selecting sales growth as a promising variable based on previous evidence linking financial performance, firm growth, and CSR.

Sales growth reflects a company's ability to generate value for shareholders and stakeholders, attracting investor confidence through consistent profitability signals

(Kurniawan & Satria, 2021; Simamora et al., 2022; Chang & Yoo, 2023). Previous studies, including Munsaidah et al. (2016), reveal strong positive correlations between sales growth and CSR. Given the economic uncertainties during the COVID-19 pandemic, understanding internal determinants such as sales growth is essential to elucidate complex links between financial performance and CSR. This work focuses on the mining sector, a major contributor to environmental degradation through deforestation, pollution, and habitat destruction. The sector faces rigorous regulatory and international pressures compelling effective CSR compliance (Istiqomah & Amanah 2021; Mustangin, 2025).

With particular attention to pandemic and post-pandemic periods, this research examines how economic shocks influence mining firms' capacities to meet CSR commitments amidst fluctuating financial health. It introduces ECR as a novel CSR expenditure proxy and explores sales growth rate (SGR) as a rarely studied mediator in Indonesia's extractive industry. This study supports agency theory, showing that financial stress and managerial-shareholder conflicts during crises drive reduced CSR spending, contrasting stakeholder theory's view of proactive CSR under strong financial conditions.

Ultimately, the study aims to deepen theoretical and practical insights into the linkages between financial performance and CSR expenditure, thereby assisting academics and mining managers confronted with environmental and regulatory challenges in formulating effective CSR policies and strategies.

## **LITERATURE REVIEW**

### **Agency Theory of Corporate Social Responsibility**

The implementation of Corporate Social Responsibility (CSR) is often conceptualized through stakeholder theory or legitimacy theory, which focus on corporate efforts within Environmental, Social, and Governance (ESG) frameworks (Hashim et al., 2019; Nguyen et al., 2022; Carolina et al., 2023; Chang & Yoo, 2023; Juniarti et al., 2024). However, these perspectives may fall short in explaining CSR practices during periods of major economic disruption, such as the COVID-19 pandemic.

Under significant economic pressures, companies are compelled to prioritize financial performance to ensure survival, as failure may result in sustained losses or bankruptcy. Consequently, agency theory offers a more nuanced lens to analyze such dynamics by highlighting conflicts between principals (shareholders) and agents (managers) due to information asymmetry and divergent goals (Sulaeman et al., 2022; Wulandari & Rahmawati, 2023; Viandika & Tjahjono, 2025).

Specifically, agency conflicts in CSR arise when managers pursue personal agendas conflicting with shareholder value maximization (Dito et al., 2025). For instance, managers may allocate CSR funds to bolster personal or corporate reputation rather than financial efficiency (Mudah & Retnani, 2020; Ulla et al., 2023). Moreover, companies burdened by high leverage and weak internal controls often experience profit declines, negatively affecting CSR budgets due to competing financial obligations (Parwati & Dewi, 2021; Purnama & Trisnarningsih, 2022).

### **The Determinant of CSR Expenditure**

Financial performance is an important indicator of a company's operational and fiscal efficiency (Meiyana & Aisyah, 2019; Zainab & Burhany, 2020; Wulandari & Rahmawati, 2023; Widianingrum et al., 2024; Safitri et al., 2025). Similarly, profitability, in particular, shapes decisions related to sustainability (Prastiwi et al., 2025). According to research by Ulla et al. (2023), Suci and Hazmi (2024), and Ervina et al. (2025), companies with higher profitability tend to invest more but tend to reduce expenses deemed unprofitable, such as large CSR costs. From the agency theory perspective, conflicts of interest arise as managers may pursue CSR for image enhancement, while shareholders view it as diverting from profit goals (Rosa & Octaviani, 2020). Consequently, CSR expenses are seen as agency costs reducing efficiency, leading firms, especially during the COVID-19 pandemic, to prioritize financial stability over social initiatives (Augustin et al., 2024).

High leverage poses repayment challenges, especially intensified during the pandemic due to increased stakeholder pressure. Leverage, defined as a company's reliance on external debt, may reduce firm value in investors' eyes (Sopian & Rohiati, 2023; Permata et al., 2025; Indradewa & Damayanti, 2025). To meet debt obligations, leveraged firms often constrain non-income-generating expenses like CSR (Nguyen et al., 2023). According to agency theory, such CSR spending is considered an agency cost that reduces financial returns. Highly leveraged companies may limit CSR investments to avoid creditor disapproval and maintain financial stability (Simamora et al., 2022; Tjondro et al., 2024). Furthermore, leverage exacerbates agency conflicts by increasing oversight, encouraging management to prioritize investments with immediate returns. Thus, CSR, which is typically considered long-term and intangible, may be minimized in highly leveraged companies (Ulla et al., 2023).

H1: Profitability has a significant negative effect on CSR expenditure.

H2: Leverage has a significant negative effect on CSR expenditure.

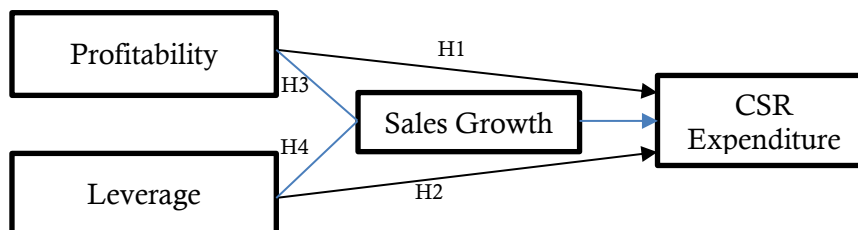
### **Sales Growth Mediates the Effect of Financial Performance on CSR Expenditure**

The COVID-19 pandemic significantly impacted companies across various sectors. The financial crisis and shifts in consumer behavior during the pandemic have resulted in fluctuations in the company's sales. Some companies experienced continuous sales growth, while others experienced a decline in their sales growth. Sales growth reflects a company's operational effectiveness in increasing market reach and maintaining customer loyalty (Suci & Hazmi, 2024). A consistent and increasing company sales growth rate year after year can be an important factor for evaluating overall company financial performance (Mudah & Retnani, 2020). Increased sales growth is closely linked to profitability ratios and leverage. Companies with high profitability often indicate high company sales growth (Simamora et al., 2022). Similarly, a high level of leverage signifies a greater acquisition of funding, which can be allocated to expenditures capable of generating increased sales growth (Triayuni et al., 2023).

In agency theory, increased sales growth will lead to a decrease in CSR expenditure allocation. The pressure on management to boost sales growth results in decisions to aggressively allocate company resources to areas that directly support sales growth (Suci & Hazmi, 2024). In this context, CSR is perceived as an expenditure that lacks immediate impact on sales growth, making it susceptible to expenditure reductions. This indicates the capacity of the sales growth rate to mediate the influence of profitability and leverage on CSR expenditure, allowing the formulation of the following hypothesis.

H3: Sales growth significantly mediates the effect of profitability on CSR expenditure.

H4: Sales growth significantly mediates the effect of leverage on CSR expenditure.



**Figure 1.** Conceptual Framework

Figure 1 shows a conceptual model depicting the influence of profitability and leverage on CSR expenditure, with sales growth as a mediating variable. In this model, a company's level of profitability and leverage are assumed to influence sales growth, which in turn impacts the amount of spending on corporate social responsibility (CSR) activities. High profitability is expected to increase financial capacity and strengthen sales

performance, thereby encouraging increased CSR expenditure allocation. Conversely, high leverage can limit sales growth due to a large debt burden, which then reduces the company's ability to finance social activities. Thus, sales growth acts as a transmission mechanism explaining the indirect relationship between a company's financial condition and the level of CSR expenditure.

## RESEARCH METHODS

This research adopted a quantitative approach by utilizing secondary data sourced from annual reports and sustainability reports from the Indonesia Stock Exchange (IDX) and the official websites of the respective companies. The research population comprised all mining sector companies listed on the Indonesia Stock Exchange (IDX). The observation period covered the years 2021 to 2023, selected specifically to capture CSR expenditure behavior during the transition from pandemic-induced financial stress to post-pandemic recovery. Furthermore, the sample was determined using a purposive sampling technique based on four predefined criteria.

The research sample was determined using a total of 57 companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. Several companies were eliminated based on certain criteria to ensure the data aligns with the research objectives. Two companies were excluded because they did not publish complete Annual Reports and Sustainability Reports during the observation period. Furthermore, 15 companies were also excluded because they did not report environmental costs, which are the main variable in this study. Furthermore, 22 companies that experienced losses during 2021–2023 were also excluded because their negative financial condition can affect CSR spending patterns and does not reflect stable financial performance. After this screening process, 18 companies remained that met all research criteria. With an observation period of three years, a total of 54 observational data units were used in the analysis. This data was sourced from secondary reports processed by the researchers in 2025.

**Table 1.** Variables' Operational Definition

Research Variable	Measurement	Source
Profitability	$ROA = \frac{Net\ Income}{Total\ Assets}$	Fina et al. (2024), Lucky et al. (2024), Permata et al. (2025), Viandika and Tjahjono (2025), Widianingrum et al. (2024)
	ROA = Return on Assets	
Leverage	$DER = \frac{Total\ Liabilities}{Total\ Equity}$	Lucky et al. (2024), Permata et al. (2025), Priyanto and Robiyanto (2020), Sopian and Rohiati (2023), Viandika and Tjahjono (2025), Widianingrum et al. (2024)
	DER = Debt to Equity Ratio	
CSR Expenditure	$EC = \frac{\sum Environmental\ Cost}{Earnings\ After\ Tax}$	Setiadi (2021), Siregar et al. (2025), Subaida and Triska (2023)
	ECR = Environmental Cost Ratio	
Sales Growth	$SGR = \frac{Sales_t - Sales_{t-1}}{Sales_{t-1}}$	Aruan et al. (2021), Hunafah and Zahwa (2022), Mudah and Retnani (2020)
	SGR = Sales Growth Rate	

The selected sample was analyzed using multiple linear regression with IBM SPSS version 30 to assess the relationships among the variables. In addition, the Sobel test was employed to examine the mediating effect of sales growth rate (SGR) as an intervening variable, following the approach of Meiyana and Aisyah (2019). Prior to the analysis, classical assumption tests were conducted to ensure data validity.

Table 1 shows the operational definitions of the research variables. Profitability is measured by ROA (Net Income/Total Assets) to assess profit-generating ability. Leverage is measured using DER (Total Liabilities/Total Equity) to describe the funding structure. CSR expenditure is measured by ECR (Environmental Cost/Earnings After Tax) as an indicator of corporate social commitment. Meanwhile, Sales Growth is calculated from the annual sales change (SGR).

**RESULTS**

Descriptive statistics were used as an initial step to understand the characteristics of the data prior to hypothesis testing (Juniarti et al., 2024). As shown in Table 3, the ROA values range from a minimum of 0.012 to a maximum of 0.616, with an average of 0.190 and a standard deviation of 0.156. This suggests that, on average, companies achieve about 19% return on their assets, although performance varied moderately across firms. The relatively wide range suggested that while some companies utilized their assets efficiently, others lagged significantly. The DER ranged from 0.023 to 1.620, with a mean of 0.630 and a standard deviation of 0.407. This implied that most companies maintained a moderate level of debt relative to equity, although the high maximum value reflected substantial differences in capital structure. However, the high maximum value points to the presence of firms with significantly higher leverage, indicating considerable differences in capital structure across the sample.

The Sales Growth Rate exhibits a range from -0.421 to 1.426, a mean of 0.313, and a standard deviation of 0.430. The negative minimum value suggests that some companies experience a decline in sales, while others achieve robust growth. The broad range and relatively high standard deviation imply substantial variability in sales performance among the companies. The Environmental Cost Ratio ranges from 0.000 to 0.049, with an average of 0.013 and a standard deviation of 0.012. The narrow range and low variability indicate that the proportion of spending allocated towards environmental costs is relatively consistent across the companies studied. The descriptive statistics results are presented in Table 2.

**Table 2.** Descriptive Statistics Analysis

Variable	Min.	Max.	Mean	Sd
ROA	0.012	0.616	0.190	0.156
DER	0.023	1.620	0.630	0.407
SGR	-0.421	1.426	0.313	0.430
ECR	0.000	0.049	0.013	0.012

*Source: Secondary Data Processed (2025)*

To ensure the validity of the regression model, classical assumption tests were conducted. The Classical Assumptions tests involved assessing the normal distribution of residuals, examining intercorrelations among independent variables (multicollinearity), testing for residual independence (autocorrelation), and evaluating the constancy of error variance (heteroscedasticity), as outlined by Permata et al. (2025). The purpose of the normality test is to ensure that the data selected for the study has a normal distribution and can be interpreted validly (Wulandari & Rahmawati, 2023). The Asymp. Sig. (2-tailed) value from the normality test results in Table 3 for both sales growth rate and environmental cost ratio is 0.200, which is greater than 0.05. This result shows the evidence that the data in this study is normally distributed.

**Table 3.** Normality Test Results

Variable	Kolmogorov-Smirnov	Asymp-Sig (2-tailed)
SGR	0.069	0.200
ECR	0.105	0.200

*Source: Secondary Data Processed (2025)*

Multicollinearity occurs when two or more independent variables have a very close relationship, which can lead to instability in the regression model (Parwati & Dewi, 2021).

Table 4 shows the result of the multicollinearity test, where all of the independent variable tolerance values are over 0.10 and all VIF values are below 10. These test results confirm that the regression model is free from multicollinearity issues among the variables.

**Table 4.** Multicollinearity Test Results

Dependent	Independent	TOL	VIF
SGR	ROA	0.992	1.008
	DER	0.992	1.008
ECR	ROA	0.826	1.211
	DER	0.992	1.008
	SGR	0.830	1.204

*Source: Secondary Data Processed (2025)*

The autocorrelation test is conducted to identify whether there's a structured relationship among the residuals from one observation to another. The presence of autocorrelation can lead to deviations in regression results and errors in parameter calculation. Based on the test results on Table 5, a Durbin-Watson value was obtained and then compared with the dU and 4-dU values. The Durbin-Watson value must be greater than dU and less than 4-dU (Meiyana & Aisyah, 2019). The results are  $1.6383 < 1.850 < 2.3617$  and  $1.6800 < 1.710 < 2.2900$ . Therefore, it can be concluded that no autocorrelation occurred among the independent variables, making the variables in this study valid for use.

**Table 5.** Autocorrelation Test Results

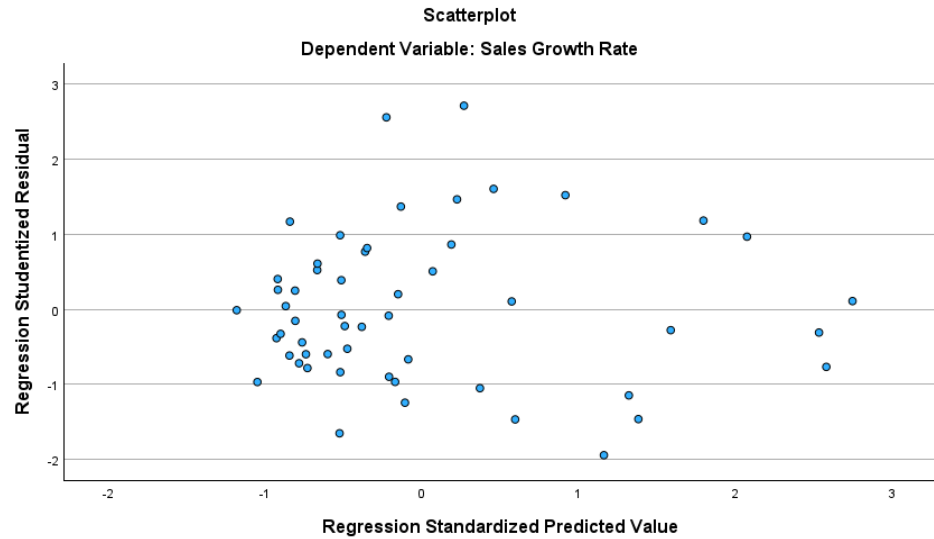
Variable	Durbin-Watson
SGR	1.850
ECR	1.710

*Source: Secondary Data Processed (2025)*

The heteroscedasticity test is conducted to identify whether the residual variance remains constant across all predicted values to detect the occurrences of heteroscedasticity that can lead to inconsistent research results. Heteroscedasticity can be detected using scatterplot graphs where there is some pattern with clustered points (Wulandari & Rahmawati, 2023).

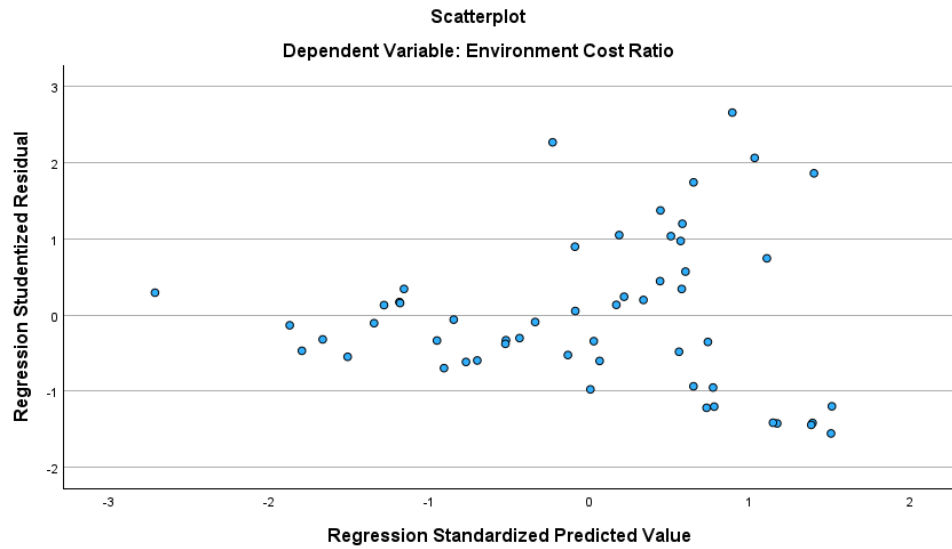
By examining Figures 2 and 3, it can be observed that the scattering of test points occurs randomly, without a specific pattern, both above and below the zero line on the Y axis. Thus, the heteroscedasticity test results confirm that the applied regression model shows no indication of heteroscedasticity.

In hypothesis testing, two different types of tests were conducted. The multiple linear regression analysis, using IBM SPSS version 30, was performed to examine the relationship between independent and dependent variables. Based on Table 6, the first regression model yielded an R-squared value of 0.694, indicating that 69% of the variance in the company's sales growth rate (the mediating variable) is explained by ROA and DER. The remaining 31% is attributed to other factors outside the research model. Additionally, the Adjusted R-squared in the second regression model is 0.700. This finding suggests that the environmental cost ratio as a dependent variable is influenced by ROA, DER, and SGR by 70%, with the remaining 30% shaped by external variables excluded from this model.



Source: Secondary Data Processed (2025)

Figure 2. Heteroskedasticity Test on SGR



Source: Secondary Data Processed (2025)

Figure 3. Heteroskedasticity Test on ECR

Table 6. Multiple Linear Regression Analysis & Sobel Test Result

Variable	Analysis	Coef.	Std. Error	Sig.	Test Statistic	P-Value
Relationship Between X and Z	(Constant)	0.089	0.035	0.015		
	ROA	1.131	0.106	0.000		
	DER	0.015	0.041	0.720		
Dependent Variable: SGR						
	R Square:	0.694				
Relationship Between X, Y, and Z	(Constant)	0.020	0.001	0.000		
	ROA	-0.008	0.002	0.001		
	DER	-0.009	0.001	0.000		
	SGR	-0.001	0.001	0.405		
Dependent Variable: ECR						
	Adjusted R Square:	0.700				
ROA → SGR → ECR					-0.995	0.319
DER → SGR → ECR					-0.343	0.731

Source: Secondary Data Processed (2025)

Based on Table 6, in the first model (relationship between X and Z), ROA exhibited a statistically significant positive effect on SGR, with a coefficient of 1.131 and a significance value of 0.000 ( $< 0.05$ ). This indicates that an increase in profitability was associated with a substantial rise in sales growth. In contrast, DER did not exhibit a significant effect on SGR with a significance value of 0.720, suggesting that leverage did not meaningfully influence SGR. In the second model (relationship between X, Y, and Z), both ROA and DER demonstrated statistically significant negative effects on ECR ( $p < 0.05$ ). ROA had a coefficient of -0.008, while DER had a coefficient of -0.009, indicating that increases in profitability and leverage were associated with reductions in CSR expenditure. Meanwhile, SGR had a significance value of 0.405 ( $> 0.05$ ), indicating that the sales growth rate did not have a direct influence on CSR expenditure. Furthermore, the adjusted R-squared value increased only marginally from 0.694 to 0.700 following the inclusion of the SGR variable, suggesting that this variable contributed minimally to the explanatory strength of the research model.

As indicated in Table 6, the probability value for the mediating effect of the sales growth rate (SGR) in the relationship between profitability and CSR expenditure was 0.319, exceeding the conventional significance threshold of 0.05. Likewise, the probability value for the mediating role of SGR in the relationship between leverage and CSR expenditure was 0.731, which also surpassed the accepted level of statistical significance. These outcomes indicated that SGR did not serve as a statistically significant mediating variable in either relationship. Accordingly, the findings emphasized the direct influence of financial performance indicators, specifically profitability and leverage on CSR expenditure, independent of sales growth dynamics. This suggests that managerial decisions regarding CSR allocation were primarily driven by internal financial considerations rather than by revenue expansion.

## **DISCUSSION**

The analysis shows that profitability has a significant negative effect on CSR expenditure, confirming the first hypothesis. This suggests that higher profitability does not necessarily lead to greater social investment, contradicting stakeholder and legitimacy theories, which suggest that financially strong companies are more socially engaged. Conversely, findings by Sibagariang et al. (2025) reveal a managerial tendency in Indonesia's mining sector to prioritize profit maximization over social and environmental commitments, even during profitable periods. From an agency theory perspective, profitability reflects shareholder performance, but during economic uncertainty like COVID-19, managers focus on short-term liquidity and stability (Haroon et al., 2025). This behavior increases agency conflicts, as CSR expenditure is viewed as a cost rather than an investment (Rosa & Octaviani, 2020). Empirical studies by Meiyana and Aisyah (2019), Zainab and Burhany (2020), and Nguyen et al. (2022) support this negative relationship. In the mining sector, with its high capital demands and ecological risks, CSR remains discretionary, especially given the flexibility permitted by Law Number 40 of 2007. Therefore, companies prioritize financial resilience and regulatory compliance over voluntary engagement, as reported by Budi and Puteri et al. (2023) and Herianti (2024). Profitability no longer predicts CSR intensity, as financial pragmatism aligns more closely with agency theory than stakeholder theory.

The analysis reveals a significant negative effect of leverage on CSR expenditure, confirming the second hypothesis and supporting agency theory. In Indonesia's mining sector, high leverage leads managers to prioritize solvency over CSR. This tendency intensified during the COVID-19 pandemic, as firms adopted conservative financial policies focused on liquidity and risk mitigation (Haroon et al., 2025). CSR programs, viewed as non-essential for short-term survival, were reduced to preserve financial stability. Empirical studies by Parwati and Dewi (2021), Sulaeman et al. (2022), and Ulla et al. (2023) confirm that higher leverage correlates with lower CSR investment, while Marheni and Kristina (2023) found that leverage heightens efficiency pressures, reducing

CSR disclosure intensity. Although Indonesian law mandates CSR, it does not prioritize debt obligations, allowing managers to justify CSR reduction under financial strain. Overall, leverage limits CSR commitments, reflecting agency-driven managerial behavior focused on short-term financial health over long-term stakeholder interests.

The Sobel test results indicate that sales growth does not mediate the relationship between profitability and CSR expenditure, rejecting the third hypothesis. Although profitability significantly influences sales growth, as suggested by Simamora et al. (2022) and Wulandari and Rahmawati (2023), it does not result in higher CSR investment. In the mining sector, macroeconomic uncertainty leads managers to deprioritize CSR, which remains disconnected from sales performance due to regulatory limitations, resulting in static CSR commitments despite revenue growth. This is consistent with Mudah and Retnani (2020) and Dasilva et al. (2025), who found that while profitability directly influences CSR, sales growth does not.

Similarly, the Sobel test revealed that sales growth does not mediate the leverage-CSR relationship, rejecting the fourth hypothesis. With high leverage, managers focus on debt repayment and cost efficiency, which is consistent with agency theory. During the COVID-19 crisis, firms increasingly prioritized liquidity over CSR initiatives (Lucky et al., 2024). Regulatory ambiguity in Indonesia further facilitates CSR reductions under financial pressure, widening the gap between managerial decisions and stakeholder expectations. Sales growth failed to offset financial constraints caused by profitability and leverage, highlighting that in a capital-intensive industry like mining, CSR remains a secondary priority to financial sustainability. The financial uncertainty induced by the COVID-19 pandemic further compelled managerial focus on debt servicing and operational continuity, creating a disconnect between leverage and CSR expenditure. Future research should examine whether this pattern persists post-pandemic across industries with varying financial resilience and managerial discretion.

## **CONCLUSION**

This study comprehensively demonstrates that profitability and leverage significantly reduce CSR expenditure among mining firms listed on the Indonesia Stock Exchange during the 2021-2023 period, especially under economic pressures such as the COVID-19 pandemic, where financial efficiency dominates managerial priorities. Mediation analysis shows that sales growth does not influence the relationship between profitability or leverage and CSR, indicating that CSR decisions are primarily shaped by internal financial obligations rather than external growth indicators. The findings strengthen agency theory's relevance in explaining managerial behavior under financial constraints, while challenging stakeholder and legitimacy theories that link financial success to CSR engagement. Managerially, the results underscore the discretionary nature of CSR budgeting in capital-intensive sectors, where financial conservatism often outweighs social commitments. These insights highlight the need for more robust regulatory frameworks and clearer quantitative standards to ensure consistent CSR practices across diverse financial conditions.

This study has several limitations. Firstly, it concentrates exclusively on the mining subsector, which may not offer a holistic reflection of the wider economic context. Secondly, data availability poses a constraint, as CSR expenditure disclosures in Indonesia are still voluntary, which limits the sample size. Therefore, for future research, it is recommended to broaden the industrial scope to enhance generalizability and to provide more comprehensive datasets. Furthermore, future researchers are encouraged to examine industries in other countries to broaden the scope of the literature and enable cross country comparisons.

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