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Effect of the Environmental, Social, and Governance on the Financial Performance of Mining Companies

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Abstract

This study aims to analyze the influence of Environmental, Social, and Governance on financial performance. The research used is quantitative with secondary data. This study looks at 45 coal mining companies listed on the Indonesia Stock Exchange in 2020 to 2023 as its population. The purposive sampling method was used to select 12 companies as samples. The analysis technique used was panel data regression analysis, with E-views 12 as data processing software. The results of the study show that partially Environmental and Governance have a positive influence on financial performance (Tobin's Q) while Social partially has a negative influence on financial performance. Simultaneously, these three variables also have a significant effect on financial performance (Tobin's Q).

Keywords: Environmental, Social, Governance, Financial Performance, Tobin’s Q

Introduction

The Indonesian economy is greatly influenced by the Indonesia Stock Exchange because the IDX serves as the main capital market in helping to drive economic growth (Mi'ah et al., 2024). The Indonesia Stock Exchange consists of many companies, one of which is mining companies that play a very important role in enhancing the economy and sustainable development (Durlista and Wahyudi, 2023). Therefore, as a regulator, the government issued OJK Regulation No. 51/Pjok.03/2017 on the implementation of sustainable finance for financial service institutions, issuers, and public companies, aimed at ensuring that companies can communicate their performance and how it impacts accountability reports (www.ojk.go.id, 2017). The existence of this regulation encourages mining companies to focus on sustainability ethics and strive to achieve good financial performance, thereby contributing to the national economy.

Financial performance as a key indicator that describes a company's ability to achieve its objectives and financial performance measurement is also carried out to assess the company's ability to effectively utilize its owned capital (Yeni et al., 2024). In addition, the measurement of financial performance is conducted for two main purposes, namely internal to assess the success of the company and its position, and external to evaluate investment opportunities and determine its value (Anjelina, 2020). Investors consider financial performance when making investment decisions because companies with good financial performance can influence investors and the stock market to buy or sell their shares (Hutabarat, 2020). Financial performance consists of two main components, namely operational performance and market performance. Operational performance describes the efficiency and effectiveness of a company in carrying out its daily business activities, and operational performance is measured using liquidity, solvency, activity, and profitability ratios, while market performance focuses on how a company can be perceived by investors and the market as a whole; market performance is measured using market ratios (Alareeni and Hamdan, 2020). Therefore, both of these aspects are very important for investors in assessing the investment potential of a company. When a company has good financial performance, its stock price is high and both increase, this can be determined by calculating with financial performance that focuses on market performance measured using market ratios because these ratios comprehensively measure performance size, especially using Tobin’s Q (Yeni et al., 2024). Data from 4 companies that have financial performance measured by market performance tools (Tobin’s Q).

Table 1. Mining Company Market Performance Data

No.	PERUSAHAAN	NILAI TOBIN’S Q			
		2020	2021	2022	2023
1.	Indo Tambang Raya Megah Tbk	1,22	1.24	1.32	1,04
2.	Bukit Asam Tbk	1,60	1.19	1,29	1,16
3.	IMC Pelita Logistik Tbk	0,79	1,21	1,31	1,04
4.	PT Petrosea Tbk	0,82	0,79	0,96	1,14

Source: Company Annual Report, Data processed (2025)

According to Table 1, Indo Tambang Raya Megah Tbk experienced an increase from 1.22 in 2020 to 1.32 in 2022, meaning that in that year, Indo Tambang Raya Megah Tbk had a high stock value because it was above 1 and considered expensive. This increase could be influenced by the trend of integrating sustainability factors such as Environmental, Social, and Governance, as it has been found that ESG performance has a positive and highly significant relationship with financial performance (Aydoğmuş et al., 2022). Companies with strong ESG commitments can improve their financial performance compared to companies that do not commit to ESG (Gartia et al., 2024). Companies with strong ESG commitments can improve their financial performance compared to companies that do not commit to ESG (Kumar & Firoz, 2022).

Currently, there are many mining companies committed to holding ESG, supported by news regarding the awards received by PT Timah Tbk from the Katadata ESG Index Award 2024 Mining Category because PT Timah Tbk has committed to implementing sustainable and responsible business practices in the field of Environmental, Social, and Governance (timah.com, 2024). Environmental, Social, and Governance (ESG) are gaining much attention from investors, the public, companies, and academics (Rau and Yu, 2024). The increase in investors who are aware of ESG performance encourages companies to enhance efforts in non-financial aspects, thus fostering trust and confidence between companies and stakeholders committed to sustainable development (Aydoğmuş et al., 2022).

Financial performance can improve from various factors, but this research focuses on ESG factors. By examining ESG factors in relation to financial performance, it can reassure investors and stakeholders about the ESG perspective that impacts market value and high stock prices, thereby enhancing financial performance. ESG activities can improve the company's public image, attract support from potential investors and policy making, thus increasing profitability and company valuation (Marie et al., 2024). In contrast, the research by (Wendisca et al., 2024) states that ESG does not have a direct impact on the company's financial performance.

Literature Review

Stakeholder Theory

The stakeholder theory states that to achieve its goals, which are not merely profit-seeking, companies also need to pay attention to, balance, and meet the expectations of all stakeholders (Freeman, 1984). This theory is emphasized by Donaldson and Preston (1995), stating that stakeholder theory is a managerial concept that plays an important role in assessing how effectively a company manages its stakeholders to achieve its performance objectives; this theory also proposes the attitudes, structures, and practices required by companies.

Signal Theory

This theory was also expressed by Ross (1977) who stated that the signaling theory is based on the asymmetry of information between the information held by management (fully informed) and the data held by shareholders (poorly informed). This signaling theory is a notion that corporate management, which has a better understanding of the company's condition, will provide signals to potential investors or shareholders, such as an increase in the company's value. The purpose of providing a signal is to assure investors to invest capital in the company. Clearly, a good signal cannot be followed by other companies with lower value due to cost factors.

Legitimacy Theory

According to Guthrie and Parker (1989), they argue that legitimacy theory is often used to justify social reporting practices that do not always reflect the actual social reality. They also assert that social reporting can be used as a tool to create a positive image without any substantive support. It is very important for a company to have legitimacy, as the legitimacy granted by society to the company is an important part of the company's survival and strategy for future growth (Amri, 2024).

ESG Disclosure

Environmental, Social, and Governance are the three elements that make up ESG, a corporate investment standard. ESG is also a practice for measuring, disclosing, and being accountable to all stakeholders (Almeyda and Darmansya, 2019). ESG is a business approach that integrates environmental, social, and corporate governance components in decision-making; it is often related to sustainable finance, which is a practice that combines financial objectives with considerations for good environmental, social, and governance practices (Yubilianto, 2024).

Environmental

Environmental, which refers to discussions about companies applying sustainable business practices, considering the operational impact of businesses on the company's environment and complying with applicable environmental regulations, as well as serving as environmental guardians (Shaid, 2024). Companies that implement good environmental performance can certainly provide a positive company image, thereby increasing investor confidence and interest in investing funds in the company, which can improve the company's performance (Mardiana et al., 2019).

Social

The social aspect of ESG refers to companies that must consider their relationships and reputations with their stakeholders and also must be able to engage with stakeholders while paying attention to these social aspects; this allows companies to enhance their image and overall financial performance (Shaid, 2024). The social scope of ESG investments includes the positive impacts that companies can generate for society and the management of their social risks; furthermore, it generally encompasses how the public views the company and its reputation (Annisawanti et al., 2024).

Governance

Governance or governance refers to a part of ESG that focuses on a company that has good and sustainable management processes within the company, corporate leadership, executive salaries, audits, internal controls, and shareholder rights are all aspects of governance (Shaid, 2024).

Financial performance

Financial performance as the main indicator that describes the level of success of a company in achieving its goals, by achieving its goals it can be assessed that the company has good company performance (Hutabarat, 2020). In addition, financial performance measurement is carried out with two main objectives: internal to assess the success of the company and its position, and external to assess investment opportunities and determine its value (Anjelina, 2020). Therefore, financial performance is focused in two ways, namely using financial performance that can be analyzed using profitability and financial performance analyzed using company value, both of which are related and describe financial performance

(Aydoğmuş et al., 2022). Financial performance calculated using profitability functions to calculate the effectiveness and efficiency of the company's operations in generating profits. While the company's value is a description of the condition of a company, which is indicated by its stock price in the capital market, high illustrates good financial performance measured using company value generally using market valuation ratios (Yeni et al., 2024).

Research Method

This research is a quantitative research with an explanatory research approach (Rachmad et al., 2024). Using secondary data using documentation method collection. The documentation used is annual reports and sustainability reports. This data was collected from financial sites such as the Indonesian Stock Exchange website (www.idx.co.id). This study covers all 45 coal sub-sector mining companies on the IDX in 2020 to 2023 as its population. This study uses a non-probability sampling technique (Siyoto & Sodik, 2015). The selected samples are those that meet the criteria of mining companies engaged in the coal sub-sector listed on the IDX and companies that publish annual reports and sustainability reports continuously from 2020-2023. In this study, variables are measured using a ratio scale. The environmental variable is measured using GRI 300 with 32 disclosed indicators, the social variable is measured using GRI 400 with 40 disclosed indicators, and the governance variable is measured using 102 with 56 disclosed indicators (GRI, 2021). Meanwhile, financial performance is measured by market performance, namely Tobin's Q. This study uses data analysis techniques, namely descriptive statistical analysis, panel data regression analysis, selection of panel data regression models, and hypothesis testing with data processing techniques carried out using the E-Views 12 analysis tool.

Result

Descriptive Statistical Analysis

The results consist of financial performance variables (Y), environmental (x1), social (x2), governance (x3). These results are used to help describe all data, as follows:

Table 2. Descriptive Statistical Analysis

	Y	X1	X2	X3
Mean	0.997171	0,658854	0,469479	0,748884
Median	0,978403	0,734375	0,512500	0,776786
Maximum	1,602243	0,968750	0,925000	1,000000
Minimum	0,156250	0,495844	0,050000	0,446429
Std. Dev.	0.219613	0,241532	0,281371	0,152077
observations	48	48	48	48

Source: E-viewrs 12, Data processed (2025)

The results of the Tobin's Q variable in table 2 show that the average Tobin's Q value is 0.997171. This value reflects that, in general, coal mining companies are only able to manage assets of 0.99 of the total assets owned by the company. The stock price of coal mining companies is relatively cheap (undervalued) because the value is still less than 1. A value of 0.99 also indicates that investors are still undervaluing and the company has not been able to maximize its market value. The results of the descriptive statistical analysis of the Environmental variable in table 2 show that the average Environmental value is 0.658854. This value reflects that, in general, coal mining companies implement and disclose environmental performance of 0.66. The results of the descriptive statistical analysis of the Social variable in table 2 show that the average value is 0.469479. This value reflects that, in general, coal mining companies implement and disclose social performance of 0.47. The results of the descriptive analysis on the Governance variable in table 1, produced an average value of 0.748884. This value reflects in general, that coal sub-sector mining companies implement and disclose governance of 0.75.

Chow Test

Useful in finding the best Fixed Effect Model (FEM) or Common Effect Model (CEM) results:

Figure 1. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.491324	(11,33)	0.0004
Cross-section Chi-square	43.926398	11	0.0000

Source: E-views 12, Data processed (2025)

The value of the Prob. Cross-section F is 0.0004 (<0.05) and the value of the Prob. Cross-section Chi-square is 0.0000 (<0.05). Thus Ha is accepted. So the fixed effect model is selected.

Hausman Test

To choose the most appropriate model Fixed Effect Model (FEM) or Random Effect Model (REM). The test results are as follows:

Figure 2. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.055677	3	0.7878

Source: E-views 12, Data processed (2025)

The value of the random cross-section probability is 0.7878 > 0.05. Thus, Ha is rejected and the selected model is the Random Effect Model (REM). Because the selected Random Effect Model REM model is further analyzed using the Lagrange Multiplier (LM) Test.

Lagrange Multiplier (LM) Test

Determining the best Random Effect Model (REM) or Common Effect Model in panel data regression. The following are the results of the Lagrange Multiplier (LM) test:

Figure 3. Lagrange Multiplier Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	13.99981 (0.0002)	1.905896 (0.1674)	15.90571 (0.0001)

Source: E-views 12, Data processed (2025)

The results of the LM test with a Breusch-Pagan cross-section probability value of 0.0002 (<0.05). Thus, H_a is accepted. Therefore, the Random Effect Model (REM) is selected. Thus, the Random Effect Model (REM) is considered the best panel data model used in this study.

Regression Model Results

The results of the selected regression model are the Random Effect Model (REM), as follows:

Figure 4. Results of the Regression Equation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.335772	0.160297	2.094690	0.0420
ENV	0.670899	0.150993	4.443229	0.0001
SOC	-0.365388	0.125582	-2.909563	0.0057
GOV	0.521998	0.213615	2.443646	0.0186

Source: E-views 12, Data processed (2025)

Based on what is shown in Figure 4, the following regression equation is formulated:

$$\mathbf{Y = 0{,}335772 + 0{,}670899\ (ENV) - 0{,}365388\ (SOC) + 0{,}521998\ (GOV)}$$

The analysis of the regression equation is as follows:

a. Constant value of 0.335772, if the independent variable (Environmental, Social, and Governance) has a value of 0 then the financial performance will have the same value, namely 0.335772.
b. The coefficient value of the environmental variable is positive at 0.671, meaning that every increase in the environmental variable by 1, the financial performance value will increase by 0.671 or vice versa.

c. The coefficient value of the social variable is negative at 0.365, so every increase in the social variable by 1, the financial performance value will decrease and vice versa.
d. The coefficient value of the governance variable is positive, meaning that every increase in the governance variable by 1 will result in an increasing financial performance value or vice versa.

Partial Test (t-Test)

In this study, the level of significance used was 5% or 0.05 with degrees of freedom (df) calculated using the formula df = (n-k) = (48-4) = 44, so that the t table value was obtained as 1.68023. The results of the t test that was carried out are presented as follows:

Figure 5. t-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.335772	0.160297	2.094690	0.0420
ENV	0.670899	0.150993	4.443229	0.0001
SOC	-0.365388	0.125582	-2.909563	0.0057
GOV	0.521998	0.213615	2.443646	0.0186

Source: E-views 12, Data processed (2025)

Based on Figure 5, the effect of independent variables on dependent variables partially is as follows:

a. The results of the t-test on the Environmental variable (X1) obtained a calculated t value of which is greater than the t table, which is 4.443229> 1.68023, and has a probability value of 0.0001 which is smaller than the significance level of 0.05. Thus Ha1 is accepted and H01 is rejected, this shows that partially the Environmental variable (X1) has a positive and significant effect on financial performance (Y).
b. The results of the t-test on the Social variable (X2) obtained a calculated t value of -2.909563> 1.68023 t table and a probability value of 0.0057, so Ha2 is accepted and H02 is rejected, meaning that the Social variable (X2) has a negative and significant effect on the financial performance (Tobin's Q) of coal mining companies on the Indonesia Stock Exchange in 2020-2023.
c. The results of the t-test on the Governance variable (X3) obtained a calculated t value greater than the t table, namely 2.443646 > 1.68023, and the probability value is 0.0186, so Ha3 is accepted and H03 is rejected, meaning that the Governance variable (X3) has a positive and significant effect on the financial performance (Tobin's Q) of coal mining companies in Indonesia.

Simultan (Uji F) Test

In this test, the degrees of freedom are calculated as df(N1) = (k-1) = 4-1 = 3 and df(N2) = (n-k) = 48-4 = 44, thus obtaining an F table of 2.816466. The results of the F test are presented:

Table 3. F Test Results

F-*Statistic*	14,10331
Prob (F-*Statistic)*	0,000001

Source: E-views 12, Data processed (2025)

It can be seen that the calculated F value is 14.10331 > F table, which is 2.816466 and the probability value (F-Statistic) is 0.000001 < 0.05, so Ha4 is accepted and H04 is rejected, meaning that the Environmental, Social, and Governance variables simultaneously have a positive and significant influence on the dependent variable, namely financial performance (Tobin's Q).

Coefficient of Determination Test

The results of the determination coefficient (R2) test in this study:

Table 4. Results of the Determination Coefficient Test

R-*squared*	0,490209
Adjusted* R- *squared	0,455451

Source: E-views 12, Data processed (2025)

Shown in table 4, the Adjusted R-squared value of 0.455451 or 45.54% is known, this shows that the Environmental, Social, and Governance variables are able to explain the variation in financial performance by 45.54%, with a moderate level of relationship, because it is in the interval of 0.40-0.599. Meanwhile, the remaining 54.46% shows that variations in financial performance are influenced by other factors not included in this regression model.

Discussion

Environmental Impact on Financial Performance

Figure 5 shows the results of the study on environmental variables that have a significant positive effect on financial performance (Tobin's q). Here the environmental variables are measured by the GRI (Global Reporting Initiative) 300 standard with disclosure of 32 environmental derivative indicators. This study produced a calculated t value of 4.443229> t table (1.68023). In addition, the probability value of 0.0001 <0.05 so that the alternative hypothesis (Ha1) is accepted. This means that when the environment increases, financial performance will also increase. Conversely, if the environment decreases, financial performance tends to decrease. In other words, there is a clear positive relationship between the environment and the company's financial performance. Of course, it proves that environmental disclosure has an important and useful meaning for coal sub-sector mining companies. Thus, environmental performance is not only an ethical and social issue, but also a factor that can determine the company's financial performance in real terms (Amalia and Salsabilah, 2021).

These results are in line with stakeholder theory emphasizing that companies must consider the interests of all parties involved because in order to achieve continuously improving financial performance, companies must be able to implement sustainability practices in their business strategies, not only to meet stakeholder expectations, but also to achieve long-term sustainability (Talan et al., 2024). Environmental performance has a positive impact on financial performance due to several things, such as the company's reputation, which can occur because companies that are active in carrying out sustainability and disclosing the environment can create a positive reputation in the eyes of investors and consumers, thereby increasing market trust and market value in the company (Mardiana et al., 2019). In addition, the current sustainability trend is increasingly highlighted by the general public, of course this also makes investors now prioritize ESG criteria, one of which is environmental, in deciding to invest in certain companies (Aydoğmuş et al., 2022). Therefore, mining companies that have good environmental performance certainly have an impact on the company's image or reputation which is good in the eyes of consumers or investors (Kumar & Firoz, 2022).

Thus, companies that are able to fulfill their responsibilities and gain a positive reputation and image can make the company acceptable to the public so that investors are also willing to invest in the company. This has an impact on increasing stock prices and increasing company value, indicating that overall financial performance is also good. This study is in line with research by Alareeni and Hamdan, 2020 and research by Buallay (2019) which states the same thing that environmental disclosure was found to have a significant and positive impact on financial performance (Tobin's Q). also supported by Hasanah et al., (2022) stating the same thing. As for research that is not in line, such as research from Durlista and Wahyudi, 2023 which states that environmental disclosure has a negative impact on financial performance.

Social Influence on Financial Performance

In Figure 5, the results of the hypothesis test are shown, it is known that social has a negative and significant influence on financial performance measured using Tobin's Q and social variables are measured using the GRI (Global Reporting Initiative) 400 standards with disclosure of social derivatives of 40 indicators. It can be seen from this study that the calculated t value is -2.909563> t table 1.68023. In addition, it has a probability value of 0.0057> significance level of 0.05. Thus, the alternative hypothesis (Ha2) is accepted, while the null hypothesis (H02) is rejected. This means that social or social performance increases, financial performance decreases. Conversely, if social performance decreases, financial performance increases. In other words, there is a clear negative impact between social performance and financial performance.

This can have a negative impact because according to empirical data obtained, it predominantly shows that if social performance is disclosed more, financial performance (Tobin's Q) will decrease. This can occur because the disclosure of indicators is not appropriate. For example, in the company PT TBS Energi Utama Tbk, indicators of increasing worker health quality, health services, occupational health and safety management systems are disclosed in the company properly, but indicators of work accidents and occupational diseases are also disclosed, so that there is a mismatch, this is actually perceived negatively. If analyzed, this indicator reports information related to the type of work accident, work accidents, work accident rates, types of work diseases, and others (www.globalreporting.org, 2013). Therefore, the disclosure of this indicator can be a confirmation that the K3 system has failed and is considered to have damaged the company's reputation to the point of reducing investor confidence. This also means that the company discloses social clearly but is not supported by real implementation, which actually creates a greater negative market response and can result in a decrease in market value.

In addition, there are also indicators that are disclosed that can have a negative impact, namely incidents of violations involving indigenous peoples' rights can be analyzed. This indicator contains reports on the total incidents that occurred (www.globalreporting.org, 2013). If the indicator is disclosed by the company, it indicates that the company operates in an area prone to social conflict or there is disharmony with local stakeholders. This can create a perception of high risk, both operationally and regulatoryly, thus impacting investor perceptions that reduce financial performance (Tobin's Q). Thus, it can be indicated by excessive disclosure of social performance which is considered to cover up incidents that occur so that this negative interpretation then indicates low financial performance so that companies can be careful to disclose social performance so that it can have a good impact on financial performance (Puteri and Laily, 2018).

Based on the legitimacy theory, companies that optimally disclose social performance certainly get a positive image, so that the company can be accepted by the community and have an impact on sustainability (Littahayu and Sulistiyoningsih, 2023). However, when social performance disclosure is carried out excessively or due to pressure due to social issues such as work accidents or indigenous conflicts, it can create a negative perception from the market. Investors can assess that the disclosure occurred due to pressure from the legitimacy crisis, not achievement. If this social effort is only seen as a way to get a positive image without clear and definite changes, then the market can assess that this effort is not carried out with sincere intentions and is really carried out so that it can actually decrease investor confidence which will have an impact on decreasing market value. Thus, social performance is not only a tool for social legitimacy, but is also used in creating long-term value for the company and shareholders. The research is in line with Buallay, (2019) and Nur'aeni and Sari, (2023). In addition, the results of research from Shaikh, (2021) which also stated that social performance describes a detrimental relationship with financial performance. Meanwhile, research that contradicts the results of this study is research from Durlista and Wahyudi, 2023 and research by Aydoğmuş et al (2022) which also revealed that social performance has a positive effect on financial performance (Tobin's Q).

The Influence of Governance on Financial Performance

In Figure 5, the calculated t value is 2.909563 > t table (1.68023). In addition, it has a probability value of 0.0186 <significant level of 0.05. Thus, the alternative hypothesis (Ha3) is accepted, while the null hypothesis (H03) is rejected. This means that when governance increases, financial performance will also increase. Conversely, if governance decreases, financial performance will also decrease. In other words, there is a clear positive relationship between governance and financial performance. This finding shows that governance has a

positive and significant influence on financial performance as measured using Tobin's Q, this can happen because governance is carried out effectively so that it affects the company's financial performance, especially being able to increase the Tobin's Q value.

Disclosure of good governance will function as a positive signal in the capital market so that it can strengthen investor confidence in driving an increase in market value (Durlista and Wahyudi, 2023). In line with signal theory, that asymmetric information between management and investors can be reduced by providing positive signals from the company, one of which is disclosure of good governance (Spence, 1978). That way, providing this signal can help investors in assessing the quality of the company and its prospects, the better the signal disclosed by the company will make the company superior compared to companies that do not have good governance and lack transparency. Therefore, good signals can be captured by investors making them more confident and willing to invest their shares, the more investors invest in the company can increase the value of the shares, the value of the shares increases because its financial performance is also good and can increase the value of the company.

Governance serves to balance risk and ensure long-term accountability and corporate governance that implements transparency in the governance structure for sustainability contributes positively to the operational efficiency and market value of the company (Shaikh, 2021). Therefore, strengthening the governance system can be an important strategy to improve overall company performance and to maintain sustainability in the eyes of stakeholders. This finding is in accordance with research from Alareeni and Hamdan, (2020) which states that governance disclosure has a positive impact on ROA and Tobin's Q, which means that governance disclosure increases asset efficiency (ROA) and the market value of company assets (Tobin's Q). Also supported by research from Buallay, (2019) and Aydoğmuş et al., (2022), which states that disclosure of governance information can increase and have a positive effect on Tobin's Q. As for research that is not in line with Almeyda and Darmansya, (2019) states that there is no significant influence of governance on the company's financial performance.

The Influence of Environmental, Social, and Governance on Financial Performance

Table 2 shows that environmental, social, and governance simultaneously have a significant influence on financial performance (Tobin's Q). This is evidenced by the F-count value of 14.10331, which is greater than the F-table (2.816466). In addition, the probability value of 0.000001 is also smaller than the significance level of 0.05. Thus, the alternative hypothesis (Ha4) is accepted, while the null hypothesis (H04) is rejected. This finding indicates that the three independent variables have a significant relationship in influencing the dependent variable, namely the company's financial performance calculated using Tobin's Q.

The simultaneous influence of environmental, social, and governance on financial performance is supported by the coefficient of determination (adjusted R-squared) value which reaches 0.455451 or 45.54%. This value indicates that the variability in financial performance can be explained by the three independent variables, while the remaining 54.46% indicates that variations in financial performance are influenced by other factors not included in this research model. Thus, fluctuations in environmental, social, and governance also contribute to changes in the financial performance of coal sub-sector mining companies listed on the Indonesia Stock Exchange from 2020 to 2023.

ESG is three indicators to assess corporate sustainability and responsibility. Environmental, social, and governance, these three aspects or indicators do not stand alone, but are integrated and mutually reinforce each other, so that they can affect financial performance. If analyzed based on empirical data showing that the three indicators have a positive influence on financial performance (Tobin's Q), it means that market assessments highly value sustainability and highly value companies that implement ESG practices and are fully committed to implementing ESG properly and comprehensively. Companies that implement ESG practices properly and comprehensively can be considered more resilient to long-term risks and are considered better than companies that do not implement ESG and investors will prefer to invest in these companies so that financial performance (Tobin's Q) can increase and share prices also increase (Marie et al., 2024).

These three variables work together to drive high market value so that it has a high stock value and indicates that overall financial performance is also increasing (Gartia et al., 2024). Therefore, optimizing one ESG component will certainly strengthen other components, resulting in a more significant impact on the company's financial performance. Conversely, a decrease in several variables can hinder the company's financial performance because there is less than optimal and good ESG implementation and disclosure. This finding is in accordance with the signal theory which explains companies that send information to investors through ESG practices that are carried out transparently and effectively (accounting.binus.ac.id, 2021). Not only that, ESG disclosure is also in line with legitimacy theory because companies that carry out environmental and social responsibilities with and governance disclosed properly and transparently make the company also maintain legitimacy from various stakeholders. Also in line with stakeholder theory, good ESG management describes the company's response to stakeholder expectations as a whole. Supported by research from Buallay, (2019) and also supported by research from Alareeni and Hamdan, (2020) and research from Mohammad and Wasiuzzaman, 2021 which states that ESG has a positive impact on financial performance (Tobin's Q).

Conclusion

The study concluded that partially the independent variables tested produced, namely Environmental and Governance had a significant positive effect on financial performance in coal sub-sector mining companies on the IDX in 2020-2023. While Social had a significant negative effect on financial performance in coal sub-sector mining companies listed on the IDX in 2020-2023. Overall, the three variables are in one unit, namely ESG, one ESG unit. In this study, it is known that simultaneously they have a significant effect on financial performance in coal sub-sector mining companies on the IDX during the period 2020-2023.

Based on the analysis in this study, it is recommended that investors not only consider financial aspects in assessing investment prospects, but also pay attention to how companies implement environmental, social, and governance (ESG) aspects transparently. By choosing a company that implements ESG well, investors will invest in companies that have a sustainability strategy with the hope that sustainable companies will certainly have better corporate resilience. In addition, investors in mining companies can continue to implement environmental, social, and governance (ESG) well, it is hoped that they can continue to maintain and improve ESG management transparently and with a clear strategy and continue to commit to implementing and continuously improving these three aspects because these three aspects are important for improving financial performance.

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