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ENVIRONMENTAL, SOCIAL, AND GOVERNANCE DISCLOSURE AS PATHWAY TO BUSINESS SUSTAINABILITY ON THE MINING COMPANIES IN INDONESIA AND AMERICA

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Abstract: This research aims to examine the influence of Environmental, Social, and Governance Disclosure, Capital Structure, and Managerial Ownership on Financial Performance, with Good Corporate Governance as a moderating variable. The research focuses on Indonesian and American mining companies listed on the Indonesian Stock Exchange and the New York Stock Exchange. The number of samples in this research was 250 mining companies in Indonesia and 75 mining companies in America. The research employs purposive sampling method to select the sample. The results show that Environmental, Social, and Governance Disclosure negatively affects financial performance in both Indonesia and America, indicating that higher levels of Environmental, Social, and Governance Disclosure are associated with lower financial performance. Capital structure, as measured in Debt to Asset Ratio, has a negative influence on Financial Performance both in Indonesia and America, implying that greater reliance on debt is linked to poorer financial performance. Managerial Ownership exhibits a positive influence on financial performance in both Indonesia and America, suggesting that higher levels of managerial ownership are associated with better financial performance. In Indonesia, Good Corporate Governance as a moderation strengthens the influence of Environmental, Social, and Governance Disclosure on financial performance. However, in America, Good Corporate Governance does not have a similar strengthening influence. Good Corporate Governance as a moderation also strengthens the influence of Capital Structure on financial performance in Indonesia, but not in America. Good Corporate Governance as a moderation does not enhance the influence of Managerial Ownership on financial performance in both Indonesia and America.

Keywords: Environmental Social Governance Disclosure, Capital Structure, Managerial Ownership, Good Corporate Governance

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INTRODUCTION

Indonesia, as an archipelagic country, is known for its abundance of mining or mineral resources (Sony, 2019). The development of the financial performance of mining companies that exported coal mining products in 2018 in Indonesia experienced an increase of US$ 29.3 billion due to the mining companies experiencing an increase in coal price movements from US$ 96.61/ton to US$ 104.65/ton. Because the global energy market is relatively improving, another reason is that oil prices are rising, as well as the influence of increasing demand for coal in China and Northern Europe (Dewi, 2018). Conversely, in America, mineral resources have not been fully optimized, but they have excelled in cutting-edge technology in processing these minerals. The developments in the financial performance of mining companies in America recorded in 2018 increased by US$ 2.91 billion. This occurred due to strong income growth and lower capital expenditure and helped by strong mineral prices higher copper output (Burton, 2019). Undeniably, the country has become a leader in technology for processing mineral resources (Reina, 2019). Mining companies must have good financial performance because mineral resources have good economic value. The company's financial performance indicates how effectively the company is managed and contributes to the prosperity of the company owners. Mining is a term to describe any activity carried out in extracting minerals from the Earth that have good economic value, which may include gold, copper, silver, natural gas and oil, iron ore, and coal (Yuwono, 2022). A company's financial performance can be measured using financial measures, such as profitability ratios and market value. Measuring a company's financial performance is crucial for assessing its alignment with its goals and overall success from financial perspective (Safriani and Utomo, 2020). Profitability can provide an overview of the level of effectiveness of company management. The profitability ratio is a crucial metric for assessing a company's financial performance, with higher ratios indicating better performance. One commonly used profitability ratio is the return on assets (ROA). It serves as a proxy for financial performance and measures how effectively a company generates profit from its assets (Giannopoulos et al., 2022).

In 2018, mining companies in Indonesia that exported mining commodities experienced a significant increase in financial performance, totaling US$ 29.3 billion. This surge can be attributed to multiple factors. First, there was an upward trend in coal prices, rising from US$ 96.61 per ton to US$ 104.65 per ton. Second, the global energy market showed signs of improvement. Additionally, increasing demand for coal in regions like China and Northern Europe played a role in boosting the financial performance of these companies (Dewi, 2018). A significant downward change occurred in 2019, amounting to US$ 24.9 billion. It was due to the decline in coal prices over that year. The mining sector affected coal producers due to lower coal prices, leading to declining selling prices and narrower profit margins, ultimately impacting the financial performance of mining companies (Suryahadi, 2020). Furthermore, in 2020, the mining sector faced even more challenges as a result of the COVID-19 pandemic. As a result, there was a significant decline of US$ 19.7 billion, causing mining companies to experience a decline in financial performance (Sandria, 2021). In 2021, the financial performance of mining companies is expected to increase by US$ 37.9 billion. This resurgence is attributed to mining companies experiencing improved performance, driven by coal production surpassing the government's target. This increase is a direct result of the global economy's recovery in 2021 (Kusnandar, 2022). Environmental, Social, and Governance Disclosure and regulations from government bodies mean that public understanding of sustainable investments is expected to continue to increase. Phenomena that occur after mining operations cause undesirable environmental damage. Environmental damage occurs where environmental conditions are damaged and detrimental to the lives of humans, animals, and plants caused by industrial waste, oil, rubbish, and dangerous metals (Ramli, 2022). Thus, good mining techniques by innovating and strengthening environmental, social, and governance disclosure aspects are important in creating an effective, efficient, and sustainable company. Therefore, it is important to protect the environment and social conditions after the mining operations process occurs (Ramli, 2022). According to Ghazali and Zulmaita (2020), seen from the company's perspective, the existence of Environmental, Social, and

Governance Disclosure will certainly attract investors who look at the sustainability aspect and will invest in investing funds in the company. Capital structure shows how much a company is financed by its own debt and capital (Mohammad et al., 2019). Various phenomena regarding the capital structure can be seen from the characteristics of the mining sector which has a high risk, causing this sector to provide high profits and improve financial performance. Apart from that, the growth opportunities that are still open make expectations increase, because the investments made are expected to get higher profits in the future (Fitriyani, 2015). However, the nature and characteristics of the mining industry, which requires very high investment costs, make funding problems a major issue in company development. Regarding funding decisions, especially in the mining sector, the government has required mining companies in Indonesia to build mining processing and refining plants (smelters) which of course require high capital (Pushep, 2019). Managerial ownership is the proportion of shareholders from management who are active in company decision-making (Kusumawati and Setiawan, 2019). One of the phenomena of managerial ownership in the mining sector occurs in the company PT Timah Tbk. In this phenomenon, PT Timah Tbk provided false financial reports in 2015 to cover up the company's increasingly weakening financial performance and lied to the public through the media by saying that the company's strategy and efficiency had resulted in positive performance (Pratomo and Alma, 2020). Investors avoid companies with bad reputations in Good Corruption Governance (GCG). The attention given by investors is as great as attention to the company's financial performance (Fibriani et al., 2022). With GCG, company management will improve the performance of the company itself, and by increasing financial performance, which is supported by the company's profitability, it will become attractive to investors so that it will improve financial performance (Wijaya and Wirawati, 2019). Another phenomenon related to the financial performance of mining companies in America was that, in 2018, the financial performance of mining companies in America increased by US$ 2.91 billion. This growth was attributed to robust revenue expansion, reduced capital expenditure, and boosted by high mineral prices and increased copper output (Burton, 2019). In 2019, mining companies' financial performance decreased by US$ 15.68 billion. This is attributed to a tragic incident of twenty four coal mining deaths caused by transportation accidents (McGinnis, 2020). In 2020, the company's financial performance decreased significantly amounting to US$ 48.87 billion. This decline can be attributed to the ongoing impact of the COVID-19 pandemic, which has resulted in mining companies struggling to achieve positive financial results. Financial performance rose again in 2021 to US$ 48.24 billion because in Latin American countries several mining projects were facing early opening after a pause in activity. However, operations often resume quickly because mining is declared an important sector (Halm, 2021).

The reason for the research focus on choosing mining companies in Indonesia and America is because Indonesia is an archipelagic country that is known as one of the countries rich in mining or mineral resources. Meanwhile, in America, the country's mineral resources are not being explored optimally, but they have created the fastest technology in processing mineral resources. It cannot be denied that this country can become the country with the most advanced technology in the world. In Indonesia, PT Indonesia Asahan Aluminium (Persero) is the sole State-Owned Enterprise responsible for managing mines (Bharata, 2022), while the private sector operates 63 mining companies (Awal, 2022). In contrast, the United States of America has 76 mining companies listed on the New York Stock Exchange (LePan, 2021).

This research builds upon previous research by Husada and Handayani (2021), Almeyda and Darmansya (2019), Safriani and Utomo (2020), and Shaikh (2022) which found that Environmental, Social, and Governance Disclosure influences financial performance. In contrast, Junius et al. (2020) and Ghazali and Zulmaita (2020) stated that Environmental, Social, and Governance Disclosure has no effect on a company's financial performance. Regarding capital structure, Heliola et al. (2020); Aulia et al. (2018) found that capital structure has a significant positive effect on financial performance, while Nini et al. (2020), Mohammad et al. (2019) stated that capital structure has a negative and significant effect on the company's financial performance. For managerial ownership,

Fibriani et al. (2022), Almashhadani and Almashhadani (2022), Suartama and Sukartha (2020), and Loen (2022) found a positive and significant effect on financial performance, whereas Astari and Suputra (2019) stated that managerial ownership has negative effect, and Manurung and Wijaya (2022) found no effect.

Based on the explanation of the phenomenon, this research is a development of previous research by Husada and Handayani (2021), Giannopoulos et al. (2022), Hanim et al. (2018), Nini et al. (2020), Manurung and Wijaya (2022), Almashhadani and Almashhadani (2022), and Alabdullah (2021). The novelty of this study is that the authors use different objects and places. The development of previous research combining other variables with the Environmental, Social, and Governance Disclosure variables to pay attention to economic, environmental, and community aspects, and the focus of this research is the mining sector. This research uses the good corporate governance variable as a moderating variable. The author wants to highlight the mining sector because it is important for companies to perform well for business sustainability in this sector. This research raises problems that occurred during the COVID-19 pandemic and the recovery period. Researchers are interested in researching the influence of Environmental, Social, and Governance Disclosure, financial structure, and managerial ownership on financial performance with good corporate governance as a moderating variable for Indonesian and American mining companies. It is hoped that this research will be useful for various parties, including theoretical and practical benefits. The theoretical benefits of this research are expected to be able to implement agency theory practices and legitimacy theory practices in mining companies related to financial analysis of company performance and also serve as material to provide insight and knowledge to readers and managerial considerations for financial performance management decisions in mining companies.

Meanwhile, the practical benefits of this research are expected to be additional material for evaluation and consideration in making decisions about investing in mining companies, and it is also hoped that it can be used as a reference for business owners and mining company management to improve the quality of mining company financial performance. The aim of the research is to analyze the influence of Environmental, Social, and Governance Disclosure on financial performance in Indonesia and America. To analyze the influence of capital structure on financial performance in Indonesia and America. To analyze the influence of managerial ownership on financial performance in Indonesia and America. To analyze whether good corporate governance is able to moderate the influence of Environmental, Social, and Governance Disclosure on financial performance in Indonesia and in America. To analyze whether good corporate governance is able to moderate the influence of capital structure on financial performance in Indonesia and in America, and to analyze whether good corporate governance is able to moderate the influence of managerial ownership on financial performance in Indonesia and in America.

LITERATURE REVIEW

Agency Theory

Agency theory revolves around the relationship between principal-agent and the separation between ownership-control (Pulino et al., 2022). The principal represents the company owner, delegating management authority to agents, who should act in the principal's best interests but often prioritize their own goals to the detriment of the principal's interests (Pulino et al., 2022). Agency theory, according to Husada and Handayani (2021), states that agents act as other parties or principals in an organization. Conflicts of interest and information asymmetry encourage managers (agents) to present false information to owners (principals). In managing a company, managers would have their own interests in maximizing their welfare (Husada and Handayani, 2021).

On the other hand, managers in their roles have a responsibility to maximize the welfare of the company owner (principal). However, due to differing objectives, managers may prioritize their interests without considering the principal's. They may employ various strategies, including altering financial figures and accounting procedures, to serve the interests of the company owner and enhance their performance. Nevertheless, these actions can negatively affect the company's stakeholders or owners (principals).

Legitimacy Theory

Legitimacy theory states that organizations must align their actions and decisions with the expectations of their environment (Junius et al., 2020). When a company cannot meet public expectations, the company experiences pressure from the public, resulting in a legitimacy gap (Husada and Handayani, 2021). Essentially, if a company runs its organization well and remains viable, society perceives it as having a good system that aligns with societal norms.

This theory explains the company's obligation to operate within society's legal and ethical boundaries, norms, and values. It is rooted in a social contract where companies are expected to not only operate for profit alone but also address various societal issues, such as environmental, health, and employee safety concerns. (Roestanto et al., 2022). Dowling and Pfeffer (1975), as cited in Safriani and Utomo (2020), stated that organizations are integral parts of the social system and should try to create harmony between values and societal norms. By achieving this harmony, companies will gain recognition from the community, enhancing the company's sustainability and fostering superior performance (Safriani and Utomo, 2020). Figure 1 provides a diagram of the research model.

HYPOTHESIS DEVELOPMENT

ESG Disclosure serves as a critical tool in the investment decision-making process. The company's ESG Disclosure activities are important because both companies and investors recognize that ESG Disclosure unveils opportunities and risks the company faces. Research conducted by Almeyda and Darmansya (2019) revealed a statistically significant positive relationship between ESG Disclosure and a company's (Return on Assets) ROA and Return on Equity (ROE). Other studies conducted by Giannopoulos et al. (2022) and Saygili et al. (2022) presented contrasting results, indicating a negative influence of ESG Disclosure on financial performance. Based on theoretical insights and previous research, the authors propose the following hypothesis:

H1: ESG disclosure has a negative influence on financial performance in both Indonesia and America.

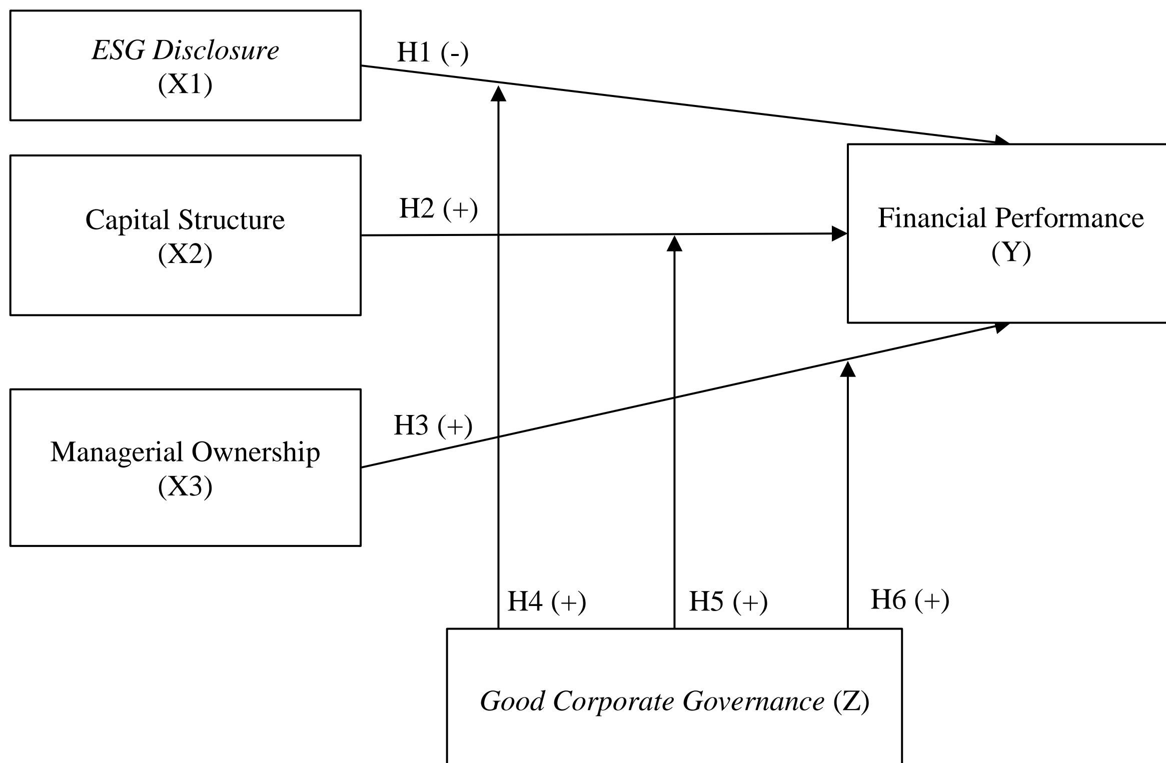

Figure 3. Research Framework

Capital structure pertains to using assets or funds whereby a company is obligated to cover fixed costs or pay fixed charges. Hanim et al. (2018) research shows that Capital Structure exerts a statistically significant positive effect on Financial Performance. Conversely, Usman (2019) presents contrasting findings, suggesting that capital structure has no effect on financial performance, as indicated by the proxy of profitability. Based on theoretical studies and previous research, the authors propose the following hypothesis:

H2: Capital Structure has a positive influence on Financial Performance in both Indonesia and America.

Managerial ownership is the proportion of shareholders within the management who actively engage in company decision-making processes, including the Director and Board of Commissioners. Research conducted by Loen (2022) suggests that managerial ownership has a significant influence on financial performance. Other research conducted by Manurung and Wijaya (2022) presents different results indicating that managerial ownership has no effect on company performance. Drawing upon theoretical studies and previous research, the authors propose the following hypothesis:

H3: Managerial Ownership has a positive influence on Financial Performance in both Indonesia and America.

ESG (Environmental, Social, and Governance) disclosure serves as a tool in the investment decision-making process. Additionally, GCG is a set of rules governing the relationships among shareholders, company managers, creditors, government, employees, and other internal and external stakeholders, outlining their respective rights and obligations. Corporate governance arises from the company's interest in assuring principals or investors that invested funds are used appropriately and efficiently (Mahrani and Soewarno, 2018).

H4: Good Governance strengthens the influence of Environmental, Social, and Governance Disclosure on Financial Performance in Indonesia and America.

Capital structure describes the extent to which a company leverages debt for financing. Corporate governance arises from the company's interest in assuring principals or investors that invested funds are used appropriately and efficiently (Mahrani and Soewarno, 2018). So, in maximizing profits for shareholders, management may need to undertake debt to expand the funds employed, thereby enhancing the company's financial performance. Drawing on theoretical insights and previous research, the authors propose the following hypothesis:

H5: Good Governance strengthens the influence of Capital Structure on Financial Performance in Indonesia and America.

Managerial ownership can be understood from two perspectives: the agency approach and the information imbalance approach. The agency approach views the managerial ownership structure as an instrument or tool used to reduce agency conflicts between several demands on a company (Manurung and Wijaya, 2022). The information imbalance approach views the managerial ownership structure mechanism as a way to alleviate information disparities between insiders and outsiders through the information disclosure within the company (Pandingan et al., 2022). GCG is a performance event arranged to facilitate the effective operation and control of the company (Rahayu and Kartika, 2021). Drawing upon theoretical insights and previous research, the authors propose the following hypothesis:

H6: Good Governance strengthens the influence of Managerial Ownership on Financial Performance in Indonesia and America.

METHOD

The population in this research comprises mining sector companies listed on the Indonesian Stock Exchange and the American Stock Exchange during the observation period from 2017 to 2021, encompassing a total of 139 mining companies per year. The study employees a purposive sampling technique, specifically selecting research samples that meet certain criteria aligned with the research objectives. The sample criteria used by the researchers are mining companies listed on Indonesian Stock Exchange and American Stock Exchange from 2017 to 2021, and mining companies listed on the Indonesian Stock Exchange and the American Stock Exchange publish complete financial reports for the period from 2017 to 2021.

Table 1. Regression Analysis in Indonesia

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0,741907	0,252822	2,934499	0,0037
ESG	-0,682189	0,268601	-2,539781	0,0117
DAR	-0,131814	0,044593	-2,955956	0,0034
KM	0,004700	0,021946	0,214159	0,8306
*ESG*GCG*	-0,005133	0,216088	-1,934766	0,0542
SM*GCG	-0,001331	0,002653	-2,588340	0,0102
*KM*GCG*	0,000476	0,000801	0,594082	0,5530

Source: E-Views 12 (data processed)

Table 2. Regression Analysis in America

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0,052526	0,471696	0,111356	0,9117
ESG	-1,798955	1,711705	1,050973	0,2970
DAR	-1,647968	3,14051	-0,524745	06015
KM	0,172547	1,239693	0,013919	09889
*ESG*GCG*	-0,021812	0,019488	-1,119267	0,2670
SM*GCG	0,019215	0,037249	0,515839	0,6076
*KM*GCG*	0,002469	0,146904	0,016809	0,9866

Source: E-Views 12 (data processed)

RESULTS

Regression Analysis

Table 1 shown the result of regression analysis in Indonesia and Table 2 shown the result of regression analysis in America.

Hypothesis Testing

Based on the panel data regression results presented in Table 1 and hypothesis testing presented in Table 3. ESG Disclosure, as measured using GRI standards, has a significant negative impact on Financial Performance (ROA). The probability value is 0.0117, less than the significance level of 0.05. Consequently, the first hypothesis (H1) of this research is accepted.

Capital Structure, as measured by the Debt to Asset Ratio (DAR), was found to have a significant negative impact on the Financial Performance (ROA) in Indonesia. The probability value is 0.0034, which is lower than the significance level of 0.05. Consequently, this research's second hypothesis (H2) was rejected for Indonesia, signifying a significant negative effect of Capital Structure (DAR) on Financial Performance.

Managerial Ownership, measured by the number of shares owned by managers, directors, and board of commissioners divided by the total shares outstanding in the company, has a positive and insignificant effect on Financial Performance. The probability value is 0.8306, greater than the significance level of 0.05. Consequently, the third hypothesis (H3) is accepted for Indonesia.

ESG Disclosure, when moderated by GCG, significantly strengthens its negative influence on Financial Performance (ROA). The probability value is 0.0542, which is less than the significance level of 0.05. Thus, the fourth hypothesis (H4) is accepted for Indonesia.

Table 3. Hypothesis Testing in Indonesia

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0,741907	0,251822	2,934499	0,0037
ESG	-0,682189	0,268601	-2,5‹9781	0,0117
DAR	-0,131814	0,044593	-2,955956	0,0034
KM	0,004700	0,021946	0,214159	0,8306

Source: E-Views 12 (data processed)

Table 4. Hypothesis Testing in America

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0,032526	0,471696	0,111356	0,9117
ESG	-1,798955	1,711705	1,050973	0,2970
DAR	-1,647968	3,140513	-0,524745	0,5015
KM	0,172547	12,39693	0,013919	0,9889

Source: E-Views 12 (data processed)

Capital Structure, when moderated by GCG, significantly strengthens its influence on the Financial Performance (ROA). The probability value is 0.0102, which is less than the significance level of 0.05. Consequently, the fifth hypothesis (H5) is accepted.

Managerial Ownership moderated by GCG does not significantly strengthen its influence on the Financial Performance (ROA). The probability value is 0.5530, which exceeds the significance level of 0.05. Consequently, the sixth hypothesis (H6) is not accepted.

Based on the panel data regression results presented in Table 2 and hypothesis testing presented in Table 4. The probability value of ESG Disclosure is 0.2970, greater than the significance level of 0.05. Thus, the first hypothesis (H1) is also accepted for America, but it signifies an insignificant negative effect on the Financial Performance (ROA).

Capital Structure measured by the Debt to Asset Ratio (DAR) has a negative and insignificant effect on Financial Performance (ROA). The probability value is 0.6015, greater than the significance level of 0.05. It leads to rejecting the second hypothesis (H2) for America.

Managerial Ownership has a positive but insignificant effect on Financial Performance. The probability value is 0.9889, which is also greater than the significance level of 0.05. Therefore, the third hypothesis (H3) is accepted for America.

ESG Disclosure, when moderated by GCG, significantly strengthens influence on the Financial Performance (ROA). The probability value is 0.2670, which exceeds the significance level of 0.05. Consequently, the fourth hypothesis (H4) is not accepted.

Capital Structure, when moderated by GCG, does not significantly strengthen its influence on Financial Performance (ROA). The probability value is 0.6076, greater than the significance level of 0.05. Consequently, the fifth hypothesis (H5) is not accepted.

Managerial Ownership moderated by GCG does not significantly strengthen its influence on the Financial Performance (ROA). The probability value is 0.9866, exceeding the significance level of 0.05. Consequently, the sixth hypothesis (H6) is not accepted.

DISCUSSION

ESG Disclosure and Financial Performance

Mining operations have been associated with undesirable environmental damages, including the contamination of environmental conditions caused by industrial waste, oil, rubbish, and dangerous metals. Thus, emphasizing sound mining practices and strengthening the Environmental, Social, and Governance (ESG) Disclosure aspects is crucial in establishing an effective, efficient, and

sustainable company. Therefore, it is vital to protect the environment and social conditions after the completion of the mining operations process (Ramli, 2022).

The findings suggest that ESG Disclosure has a significant negative effect on Financial Performance (ROA). It means that changes in ESG Disclosure have an impact on changes in Financial Performance. The higher or lower level of the ESG Disclosure will affect the higher or lower level of Financial Performance. On the other hand, the panel data regression results for America, as shown in Table 2, indicate that ESG Disclosure, measured using GRI standards, has a negative and insignificant effect on Financial Performance (ROA).

The legitimacy theory states that organizations need to consider the behavior and decisions taken within their environmental context. In this context, ESG disclosure is expected to enhance the company's image, leading to improved financial performance (Junius et al., 2020). ESG disclosure is a measurement tool for assessing the impact on environmental, social and governance practices of the company. Disclosure of non-financial information is an important indicator for evaluating a company's performance during its ongoing operational activities (Giannopoulos et al., 2022).

The results of this research align with previous research conducted by Giannopoulos et al. (2022), which found a strong significant relationship between ESG initiatives and financial performance with a negative influence on companies listed in Norway. Additionally, Husada and Handayani (2021) reported that ESG disclosure only influences Return on Assets simultaneously in the financial sector companies listed on the Indonesian stock exchange. Ghazali and Zulmaita (2020) highlighted that the independent variables represented by environmental, social, and governance disclosures have a moderately significant effect on profitability, proxied by ROA, in infrastructure sector companies which are listed on the Indonesian stock exchange.

Capital Structure and Financial Performance

The mining sector, characterized by its high-risk nature, is known to generate high profits and enhance financial performance. Additionally, the open growth opportunities lead to heightened expectations, as investments made are expected to yield higher profits in the future (Fitriyani, 2015). However, the nature and characteristics of the mining industry, including the need for significant investment, give rise to funding challenges central to a company's development.

Based on the panel data regression results for Indonesia, as depicted in Table 1, mining companies with high debt levels tend to produce higher returns. It aligns with the trade-off theory, which posits that the greater the benefits of using debt, the better the company's financial performance. Companies with high debt will optimize their assets to secure adequate returns for servicing their debt obligations, albeit at the expense of the company's operating profit. The findings suggest that changes in Capital Structure will have a limited impact on Financial Performance in the American context.

In theory, the greater the benefits of using debt, the greater the profits and ultimately the better the company's financial performance. Brigham and Houston (2013) stated that the trade-off theory emphasizes that a higher debt level can contribute to greater operating profits, which benefit the investors. These results are also in line with Hanim et al. (2018), who stated that companies that have a high level of leverage are incentivized to manage their financial performance effectively so that they can allocate funds and provide returns for themselves.

The results of this research are supported by previous study conducted by Hanim et al. (2018), which reported that capital structure has a significant negative effect on the financial performance of manufacturing companies in Indonesia. Additionally, Ambarwati et al. (2021) states that DAR had a negative and insignificant impact on the financial performance of companies listed on the Jakarta Islamic Index. Similarly, Pratiwi and Winarsih (2022) concluded that the capital structure, specifically DAR, had a significant negative effect on the financial performance of companies on the Jakarta Islamic Index listed on the Indonesian Stock Exchange.

Managerial Ownership and Financial Performance

Managerial ownership is considered a mechanism to mitigate management behaviors that manipulate financial reports, stemming from di-

vergent interests between managers and owners Shared ownership by the company management can optimize the company management performance and incentivizes prudence (Loen, 2022). Results suggest that changes in Managerial Ownership have a positive but insignificant effect on Financial Performance in Indonesia. The higher or lower levels of Managerial Ownership do not significantly influence Financial Performance. These findings indicate that changes in Managerial Ownership have a positive but non-significant impact on Financial Performance in America. Higher or lower Managerial Ownership does not significantly influence Financial Performance.

Agency theory addresses the relationship between principal and agent and the separation between ownership and control. According to (Pulino et al., 2022), the principal, which represents the company owner, delegates management power to the agent, who must act in the principal's best interests. However, agents may prioritize their interests over those of the principals. Conflicts of interest and information asymmetry can encourage the managers (agents) to present false information to owners (principals). Given that managers inherently seek to maximize their welfare, their ownership in shares in the company is expected to align their interests with those of investors (Husada and Handayani, 2021).

The results of this research align with previous research conducted by Fibriani et al. (2022), which found that managerial ownership had a positive and insignificant effect on the financial performance of companies listed on the Indonesian stock exchange. Suartama and Sukartha (2020) reported that managerial ownership had a positive impact on the financial performance of merged companies listed on the Indonesian stock exchange. Additionally, Almashhadani and Almashhadani (2022) indicated that a higher percentage of insider managerial share ownership led to increased decision-making and profitability, ultimately enhancing financial performance. Hence, managerial ownership positive was found to have a positive effect on performance.

ESG Disclosure and Financial Performance Moderated by Good Corporate Governance

GCG is integral to a company's long-term profitability and ability to compete effectively in global business (Fibriani et al., 2022). The implementation of ESG principles is a manifestation of the GCG principles. Through the implementation of GCG, companies aim to improve their performance, which in turn should drive an increase in activities related to ESG (Junius et al., 2020).

These findings imply that changes in ESG Disclosure, when moderated by GCG, have a negative and significant effect on Financial Performance (ROA). The higher or lower the ESG Disclosure is, the more pronounced its impact on Financial Performance. The results suggest that changes in ESG Disclosure, when moderated by GCG, do not significantly influence changes in Financial Performance (ROA). The higher the ESG Disclosure, the lower it cannot moderate changes in Financial Performance.

Stakeholder theory posits that organizations try to enhance profitability and company value in response to stakeholder expectations by identifying, assessing, and evaluating stakeholders who impact or are affected by the company's business activities (Freeman and McVea, 1984, as cited in Junius et al., 2020). Moreover, investors rely on data such as ESG disclosure factors to inform their investment decisions in a company. On the other hand, GCG is a set of rules that govern the relationships between shareholders, company managers, creditors, government, employees, and other internal and external stakeholders with respect to their rights and obligations. It arises from the company's interest in assuring principals or investors that their funds are used appropriately and efficiently (Mahrani and Soewarno, 2018).

The results of this research are consistent with previous research conducted by Kristiani and Werastuti (2020), which found that GCG strengthens the influence of environmental performance on financial performance in service companies listed on the Indonesian stock exchange. In contrast, research by Odoemelam and Okafor (2018) suggested that GCG does not enhance the influence of ESG disclosure on financial performance, particularly non-financial corporate environmental disclosure in companies listed on the Nigerian Stock Exchange.

Capital Structure and Financial Performance Moderated by Good Corporate Governance

GCG is the key to success for a company's

long-term profitability and competitiveness in the global business landscape (Fibriani et al., 2022). By implementing GCG principles, a company is expected to enhance its financial performance by employing an optimal capital structure.

The results suggest that changes in Capital Structure, when moderated by GCG, has a significant impact on changes in Financial Performance (ROA). The higher or lower the capital structure is, the more pronounced its influence on financial performance is. The results imply that changes in Capital Structure, when moderated by GCG, do not significantly influence changes in Financial Performance (ROA). The higher or lower the Capital Structure is, it cannot moderate changes in financial performance.

In theory, agency managers have an obligation to carry out their duties to maximize the welfare of the company owner (principal) (Husada and Handayani, 2021). Agency theory is based on two foundational concepts: the principal-agent relationship and the separation of ownership and control (Pulino et al., 2022). Agency theory explains that agents act on behalf of principals within an organization. The presence of corporate governance helps mitigate conflicts of interest and information asymmetry. Consequently, companies demonstrate social responsibility towards their stakeholders or owners (principals). As a managerial implication of this research's findings, a high company capital structure or debt ratio places pressure on management as agents to enhance the company's financial performance and reduce debt. The principal's pressure encourages better implementation of good corporate governance.

These results align with previous research (Iqbal and Javed, 2017), which found that most of Pakistan's listed manufacturing companies pursue good and optimal corporate governance mechanisms to obtain better and higher financial performance. Moreover, capital structure has a reinforcing relationship with financial performance. (Gunadi et al., 2020) stated that good corporate governance mechanisms such as board affiliation, board size, and the presence of an audit committee, moderate capital structure decisions that affect influence financial performance. Therefore, GCG can strengthen the influence of capital structure on financial performance.

Managerial Ownership and Financial Performance Moderated by Good Corporate Governance

GCG is pivotal for a company's long-term profitability and competitive standing in the global business arena (Fibriani et al., 2022). By implementing GCG, the company is expected to enhance its financial performance through managerial ownership, which can align the interests of managers and shareholders. The results suggest that Managerial Ownership, when moderated by GCG, does not significantly moderate its influence on Financial Performance (ROA). In other words, Managerial Ownership, when moderated by GCG does not significantly impact changes in Financial Performance. The results imply that Managerial Ownership, when moderated by good corporate governance, does not significantly moderate its influence on Financial Performance (ROA). In summary, changes in Managerial Ownership, when moderated by GCG, do not significantly affect changes in Financial Performance.

In theory, agency managers have an obligation to maximize the welfare of company owners (principals) (Husada and Handayani, 2021). According to the Corporate Governance Perception Index (CGPI) score, a company with good governance should demonstrate that a higher proportion of management ownership can align the interests of managers and shareholders, ultimately improving the company performance. Managers certainly have their own interests in maximizing their welfare in managing a company (Husada and Handayani, 2021). Consequently, many mining companies should not provide placement of their shares to management.

The results of this research are supported by previous research conducted by (Rahayu and Kartika, 2021), stating that the board of commissioners, board of directors, managerial ownership, and institutional ownership influence financial performance. However, the audit committee does not seem to be able to strengthen its influence on financial performance in manufacturing companies listed on the Indonesian stock exchange. Additionally, Al Amosh and Khatib (2022) states that GCG cannot strengthen the influence of managerial ownership on financial performance because board independence plays a role does not seem to have a

significant impact on increasing managerial share ownership to generate improved financial performance in industrial companies in Jordan.

IMPLICATIONS

The findings of this research have several managerial implications for mining companies. Firstly, mining companies should prioritize corporate responsibility towards the environment and provide information about their social activities and performance. By actively engaging in responsible social activities, companies can enhance their acceptance in the community. This, in turn, can increase the company's value and improve the company's performance. Demonstrating a commitment to social and environmental responsibility can help mining companies build trust and credibility with stakeholders, which can benefit their long-term sustainability and success.

Secondly, mining companies should consider continuing to raise capital as a source of funds for their operational activities. By increasing their capital, companies can manage their debt-to-asset ratio, allowing for more productive investment, such as increasing current assets like inventory raw materials, and non-current assets like machinery and production equipment. These investments in productive assets can boost the company's capacity, leading to increased sales and improved financial performance, ultimately resulting in higher profits.

Lastly, mining companies should be cautious about the placement of shares owned by management because such share placements can be a concern for investors who rely on financial reports to evaluate mining companies. To maintain transparency and trust with investors, companies should carefully manage their share placements, ensuring they align with their financial goals and not create undue risks or conflicts of interest.

RECOMMENDATIONS

Based on the research findings and conclusions, several recommendations emerge that can be useful for various stakeholders, including mining companies, investors, governments, and future researches. Enhanced Environmental and Social Responsibility Reporting: Mining companies are encouraged to expand their disclosure of environmental and social responsibility information, especially those that have a direct impact on the local communities and the environment. By disclosing comprehensive social and environmental information reports, companies can positively influence public perception, contribute to long-term sustainability, and improve their overall performance. Informed Investment Decisions: Before making investment decisions in a mining company, investors should conduct a thorough due diligence, including assessing the company's commitment to environment and social responsibility, as well as its track record in social activities and performance. Government Oversight: Governments should consider strengthening their oversight of company information disclosure related to the environment, social activities, and performance. It can lead to more informed policy decisions and potentially increase the country's foreign exchange sources in tax revenues through corporate income tax. Future Research Directions: Future research in this area could consider longer observation periods, incorporate additional variables used, and expand the research population or research objects to provide a more comprehensive understanding of the dynamics between ESG factors, managerial ownership, good corporate governance, and financial performance in mining companies.

Despite the valuable insights gained from this research, there are limitations that need to be acknowledged. One notable limitation is the inherent bias in interpreting financial report information. Analyzing financial reports requires subjectivity, and different interpretations may lead to varying conclusions. The researchers recognize this bias as a limitation of this research. Another limitation relates to the accessibility of financial reports information from mining companies in America. The challenge of obtaining comprehensive financial data attributed to the extended duration to complete the research.

CONCLUSIONS

Based on the results of this research and the hypothesis testing conducted through panel data regression analysis, several key conclusions can be drawn. ESG Disclosure: The research findings indicate that ESG disclosure in mining companies has a negative effect on Financial Performance for the period spanning from 2017 to 2021. Capital Structure: The results suggest that Capital Structu-

re (DAR) in mining companies has a negative effect on Financial Performance. Managerial Ownership: The results demonstrate that Managerial Ownership in mining companies has a positive effect on Financial Performance. ESG Disclosure moderated by Good Corporate Governance: The findings indicate that ESG Disclosure, when moderated by GCG, strengthens its significant influence on Financial Performance in mining companies. Capital Structure Moderated by Good Corporate Governance: The results demonstrate that Capital Structure, when moderated by GCG, significantly influences Financial Performance in mining companies. Managerial Ownership moderated by Good Corporate Governance: The results show that Managerial Ownership, when moderated by GCG, is unable to strengthen a significant influence on Financial Performance in mining companies.

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