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The Influences of Corporate Governance on Corporate Social Responsibility and Firm Performance of the Listed Companies in Thailand Sustainability Investment

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ABSTRACT

This study investigates the impact of corporate governance and social responsibility on the financial performance of 149 sustainable stocks listed on the Stock Exchange of Thailand using secondary data from 56 to 1 reports and employing structural equation modeling (SEM) to assess model fit, the analysis identified several governance factors, such as the proportion of independent directors, board size, and board meeting frequency, as significantly influencing market value. The SEM model demonstrated a strong fit with empirical data (CMIN/df = 1.504, CFI = 0.990, RMSEA = 0.058), with board meeting frequency showing the most significant impact on financial performance at the 0.05 level. The effective corporate governance, particularly in terms of board structure and oversight, is crucial for enhancing the market value of sustainability-focused firms.

Keywords: Corporate Governance, Social Responsibility, Firm Performance, Sustainable Development Goals
JEL Classifications: G30, M14, Q56

1. INTRODUCTION

The primary goal of business corporation focusses on effective corporate management promoting the company value, representing the maximization of shareholder wealth (Laili et al., 2019). The best practices in corporate governance and social responsibility disclosure required by stock exchange standards company value can be measured through various indicators, such as business valuation and financial performance. In the post-COVID-19 context, companies face heightened challenges to demonstrate their viability in the market, balancing consumer demands and competitive pressures both domestically and internationally. To survive, businesses must adhere to global standards, including publishing annual reports on corporate governance aligned with OECD guidelines and sustainability reports following the global reporting initiative (GRI). The company conveying strong governance and corporate social responsibility are essential for overcoming these challenges and achieving sustainable development (SDGs).

The alignment with the sustainable development goals (SDGs) framework represent a long-term initiative aimed at enhancing the efficiency and potential of all available corporate resources. The SDGs play a pivotal role in advancing sustainability efforts (Ordonez-Ponce et al., 2021) in Thailand has focused on three core dimensions: Economic, social, and environmental. Thailand places significant emphasis on cultural considerations. The realization of SDG objectives is further supported by the integration of the Sufficiency Economy Philosophy, a royal initiative deeply rooted in Thai cultural values. This philosophy promotes a development approach based on moderation, prudence, and self-reliance, with an emphasis on knowledge and moral integrity. The approach fosters long-term well-being and the successful attainment of genuine sustainable development. Social, economic, and environmental management is not limited to reducing pollution and resource consumption but also entails the strategic use of resources to maintain economic equilibrium while addressing health and safety goals in a balanced and integrated manner.

SDGs have emerged as a crucial focus, with most studies centering on their impact on corporate performance (Dmytriyev et al., 2021; Edmans, 2023). However, a critical gap remains in connecting SDGs with corporate governance, despite evidence showing that governance plays a significant role in shaping corporate social responsibility (CSR) practices (Ahmad et al., 2023; Maeenuddin et al., 2023; Bettayeb and Al-Hawari, 2024). CSR helps companies achieve their business goals through sustainable development. Companies are not solely concerned with maximizing profits or value for themselves. Limited sectors within companies disclose their CSR activities or report their involvement in the SDGs in sustainability reports. Studies investigating the link between these disclosures and financial performance reveal compelling insights. For example, Buchanan et al. (2018) found that CSR disclosure had a substantial positive impact on return on assets (ROA), while Alfiah and Arsjah (2021) demonstrated a similar positive relationship between SDG-related disclosures and profitability, measured by ROA. Khan et al. (2022) also emphasized that corporate governance and social responsibility significantly enhance corporate value, as measured by Tobin's Q.

Extant research was exploring the mediating role of sustainability in examining both the direct and indirect effects of corporate governance and social responsibility on financial performance. This research seeks to fill that gap by focusing on companies recognized in the Thai SET Sustainability Excellence Awards 2021, aiming to specifically test the direct relationship between corporate governance, social responsibility, and SDG implementation on the financial performance of sustainable stocks listed on the Stock Exchange of Thailand. The findings contribute to provide valuable insights of integrating governance and responsibility with SDGs drives corporate financial success. The research is to examine and analyze both the direct and indirect impacts of corporate governance and social responsibility on the financial performance of sustainable stocks listed on the Stock Exchange of Thailand. The hypothesis H1 to H11 has formed;

2. LITERATURE REVIEW

2.1. Corporate Governance

The relationship between corporate governance and the financial performance of companies can be informed by various theoretical frameworks, including stakeholder theory, legitimacy theory, and resource-based perspectives (Habib et al., 2021). Most studies included in this literature review reference agency theory, which is also employed in this analysis. Based on the separation of ownership and control, Jensen and Meckling (1976) identify a pervasive issue of information asymmetry between management and shareholders, which can lead to moral hazards and self-serving behaviors. To mitigate agency conflicts, stringent monitoring mechanisms by boards and shareholders are necessary. Information asymmetry can arise in financial reporting due to diminished quality of financial disclosures resulting from errors and fraud, leading to restatements, enforcement actions, and fraud incidents that may become public. In such scenarios, the true economic performance of a company is obscured, thereby undermining shareholders' informational function. Effective corporate governance should exert pressure on senior executives to prevent or at least reduce financial misconduct, leading to fewer restatements, enforcement actions, or fraud incidents. Governance can be categorized as a mechanism for monitoring shareholder interests concerning ethical managerial behavior. It is anticipated that enhanced corporate governance quality will correlate with improved financial reporting quality and a reduced likelihood of financial misconduct.

2.2. Corporate Social Responsibility (CSR)

Corporate social responsibility (CSR) represents a paradigm through which companies integrate their business efforts with social and environmental concerns while maintaining interactions with stakeholders (Buchanan et al., 2018). CSR implies that companies must consider not only economic balance but also social and environmental impacts, thereby meeting stakeholder needs (D'Amato and Falivena, 2020). Implementing CSR concepts can enhance a company's competitive edge by improving quality and productivity, accessing capital, consumers, and markets, and facilitating decision-making and risk management processes (Mahrani and Soewarno, 2018).

2.3. Corporate Governance Report of Thai Listed Companies (CGR)

The Corporate Governance Report of Thai Listed Companies (CGR) is an initiative aimed at tracking and measuring the development of corporate governance among Thai listed companies. It has been conducted annually by the Thai Institute of Directors (IOD) with support from the Stock Exchange of Thailand and the Securities and Exchange Commission (SEC) since 2001. The IOD appoints a Steering Committee, comprising representatives from relevant organizations in the capital market, to provide recommendations and review survey criteria, as well as to give feedback on survey results and reporting methods. This ensures that the standards and methodologies employed in the survey are widely accepted and can serve as effective indicators of compliance with good corporate governance principles. The criteria have been periodically reviewed and updated to align with evolving corporate governance standards. The CGR survey aims to guide relevant agencies in formulating policies and measures to enhance corporate governance, while listed companies can utilize the evaluation results to improve their governance practices. Furthermore, CGR assessment data proves beneficial for investors when analyzing securities for informed investment decisions.

2.4. Financial Performance

Data regarding a company's financial status is highly sought after by both internal and external users, serving as a reflection of the company's fundamental performance. Financial performance is measured using various financial data, with financial statements providing insights into the company's past financial position and future performance forecasts. One of the key ratios for measuring financial performance is Return on Assets (ROA).

Sartika Dasopang et al. (2022) found that ROA is an effective tool for assessing a company's profitability over time. The objective of ROA is to evaluate a company's profitability based on the productivity of its assets that generate earnings. ROA is calculated by comparing total assets with net profit after tax. Sarstedt et al. (2022) have utilized net profit after tax to compute ROA, thereby allowing the ratio to serve as a measure of a company's maximum profitability. A higher ROA indicates greater effectiveness in fostering growth opportunities (Sartika Dasopang et al., 2022), and Sarstedt et al. (2022) affirm that better ROA reflects improved overall company performance.

2.5. Sustainable Development Goals (SDGs)

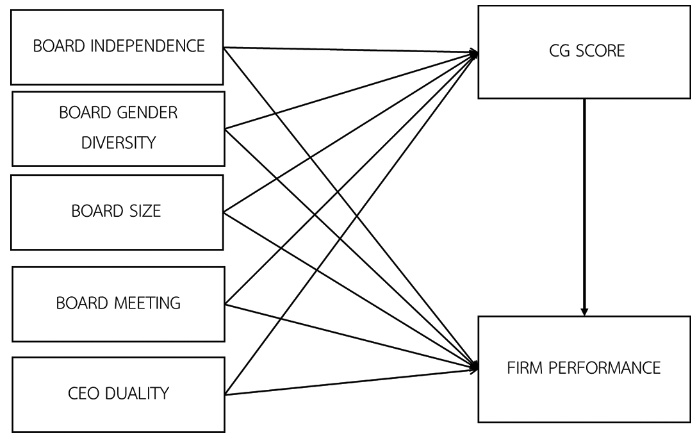
The Stock Exchange of Thailand established the Thailand Sustainability Investment (THSI) list in 2015, comprising stocks from listed companies that conduct business sustainably with consideration for environmental factors, social responsibility, and adherence to governance principles (Environmental, Social, and Governance or ESG). This initiative offers an alternative for investors seeking to engage in responsible investment practices. Companies included in the THSI list are selected based on their voluntary participation in sustainability assessments conducted by the Stock Exchange, covering governance and economic aspects, as well as environmental and social dimensions. The Stock Exchange reviews the assessment criteria annually to align with sustainability trends at both the international and national levels.

To be included in the THSI, companies must achieve a minimum score of 50% across each assessment dimension and meet specified criteria, such as the quality of corporate governance reporting (CGR), net profit performance, shareholder equity, compliance with governance issues related to listed company qualifications, and the absence of negative ESG impacts. A dedicated Sustainable Investment Working Group, comprising experts in governance and sustainable development, ensures a transparent selection process. Listed companies on the THSI represent entities capable of integrating sustainability concepts into their business operations, effectively managing emerging risks, and addressing social and environmental changes while enhancing competitive capacity and considering the interests of all stakeholders. Additionally, the Stock Exchange has developed the SETTHSI Index, which selects stocks from the most recent THSI list that have been traded for at least 6 months, have a market capitalization of no <5 billion baht, maintain a free float of at least 20% of paid-up capital, and have a trading volume of no <0.5% of the company's total shares for at least nine out of 12 months.

3. METHODOLOGY

The population for this study consists of companies listed on the Stock Exchange of Thailand (SET) in 2023, totaling 689 companies. The sample group includes only those companies that are currently operational and have fully disclosed relevant data on the variables of interest in their annual information disclosure forms, divided into two categories: Companies listed in the Thailand Sustainability Investment (THSI) index, and those not included in this index. Several key variables are utilized in this research, including the proportion of independent directors, calculated as the number of independent directors divided by the total number of board members, and the proportion of female directors, which is assessed for its impact on decision-making diversity. The definition of each variable is shown in Table 1. Other variables include board size, number of meetings held, the consolidation of the roles of Chairperson and CEO, corporate social responsibility (CSR) efforts, and financial performance measured by market capitalization. The conceptual framework is illustrated in Figure 1. Data is collected from primary sources through questionnaires and secondary data from financial statements and annual reports of listed companies, specifically for the year 2023.

Figure 1: Conceptual Framework



4. RESULTS

4.1. Path Analysis

The results of the structural equation modeling (SEM) analysis for the research on the influence of corporate governance and corporate social responsibility (CSR) on the financial performance of listed companies in the sustainability stock index reveal significant insights.

Figure 2 illustrates the structural equation model that depicts the relationships between corporate governance, corporate social responsibility (CSR), and the financial performance of companies listed in the sustainability stock index. The adjustments made to the model are aimed at enhancing its accuracy and explanatory power regarding how governance and CSR influence financial outcomes. The result highlights the pathways and strengths of these relationships, providing insights into the dynamics that underpin the financial success of sustainable companies.

Table 2 summarizes the fit indices for the structural equation model after adjustments have been made. Compared against its recommended threshold, indicating the good fit of model in among corporate governance, corporate social responsibility, and financial performance.

4.2. Hypotheses Testing

The weights of the observed variables explain the relationships among the observed variables. The results of the analysis are

Figure 2: Structural equation modeling (before and after model adjustment)

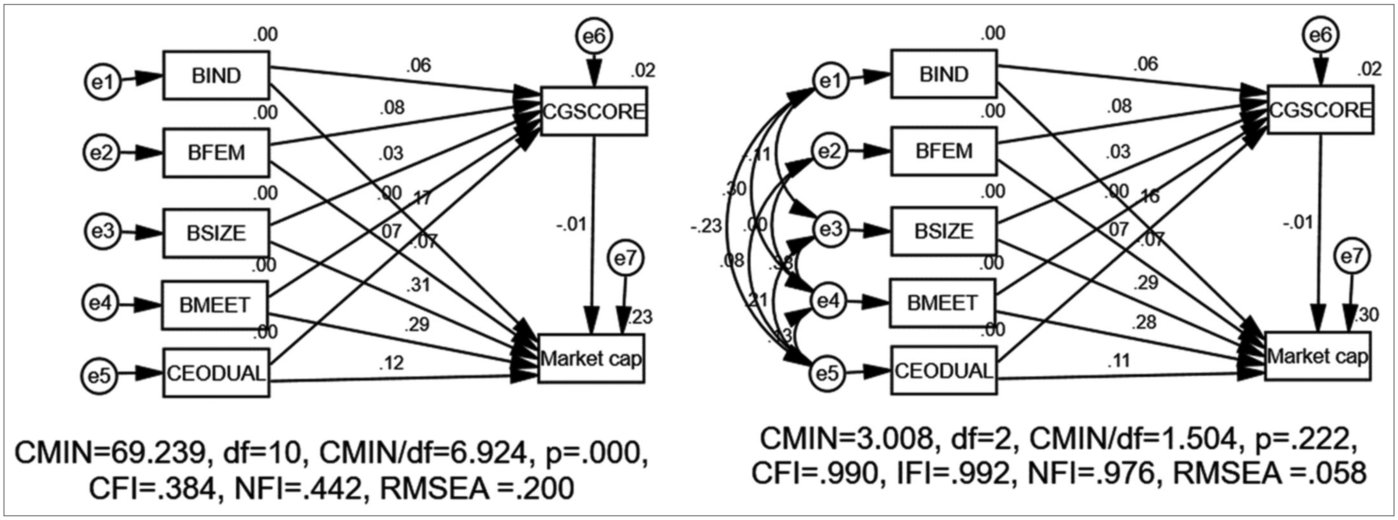


Table 1: Variables definition

Symbol	Meaning	Measurements
BIND	Refers to the measurement of the percentage of board members who are independent from shareholders or investors in the organization.	BIND=Total No. of independent/Total No. of full board
BFEM	Board gender diversity can offer a variety of perspectives and ideas in the decision-making process.	BFEM=Total No. of female boards/ Total No. of full board
BSIZE	The size of the board can affect the decision-making process, conflict management, and the fostering of camaraderie within the board.	Total No. of full board
BOARD MEETING	The frequency of board meetings is an important factor, as regular and sufficient meetings.	The number of meetings.
CEO DUALITY	The scoring for this aspect can be assessed role clarity, strategy, management skill.	1=Presented 2=Absented
CG SCORE	This can be assessed based on the disclosures made in the company's Factsheet, which is available for listed companies on the Stock Exchange of Thailand.	Scoring 1-5
Market Cap	Market Capitalization in the Factsheet of listed companies on the Stock Exchange of Thailand refers to the total market value of a company's outstanding shares.	Corporate market valuation

Table 2: Model fit indices for the structural equation model after adjustment

Indices	Cut off	BEFORE		AFTER	
		Statistic value	Interpretation	Statistic value	Interpretation
X^2/df	<3.00	6.924	NOT PASS	1.504	PASS
P-value	>0.05	0.000	NOT PASS	0.222	PASS
CFI	>0.90	0.384	NOT PASS	0.990	PASS
IFI	>0.90	0.481	NOT PASS	0.992	PASS
NFI	>0.90	0.442	NOT PASS	0.976	PASS
RMSEA	<0.08	0.200	NOT PASS	0.058	PASS

presented in Table 3. We accepted hypothesis 6, 7 and 9 and rejected H1-H5, H8, H10 and H11.

The structural relationships and causal influences of corporate governance and social responsibility on the financial performance of listed companies in the sustainable stock list. The results presented include direct effects (Directional Effects: DE), indirect effects (In-directional Effects: IE), and total effects (Total Effects: TE). The analysis focused on the influence of variables within the structural equation model of corporate governance and social responsibility as they relate to the financial performance of listed companies in the sustainable stock list. The findings, under the hypotheses and empirical data, indicate that the model is consistent with the empirical data, as shown in Table 4.

The causal relationship model is consistent with the empirical data, as determined by the statistics used to verify the consistency between the model and the empirical data. The analysis of the harmony index of the causal relationship model that influences the causal relationship of corporate governance and social responsibility affecting the financial performance of listed companies in the sustainable stock list. For the coefficient of determination (R^2) of the structural equation of the latent variables, it was found that the R^2 coefficient of corporate governance score (CGSCORE) is 0.016, and the financial performance (Marketcap) is 0.226. When considering the direct and indirect influence of the variables, it was found that the corporate governance score (CGSCORE) is influenced directly and overall by CEODUAL = 0.068, BMEET = 0.003,

Table 3: Hypothesis testing

Hypothesis	Relationships			β	T-statistic	Sig.	Interpretation
H1	BIND	→	CGSCORE	0.059	0.724	0.469	Not supported
H2	BFEM	→	CGSCORE	0.08	0.969	0.333	Not supported
H3	BSIZE	→	CGSCORE	0.033	0.41	0.682	Not supported
H4	BMEET	→	CGSCORE	0.003	0.033	0.974	Not supported
H5	CEODUAL	→	CGSCORE	0.068	0.838	0.402	Not supported
H6	BIND	→	Market cap	0.173	2.385	0.017*	Supported
H7	BFEM	→	Market cap	−0.072	−0.984	0.325	Not supported
H8	BSIZE	→	Market cap	0.306	4.235	***	Supported
H9	BMEET	→	Market cap	0.29	4.009	***	Supported
H10	CEODUAL	→	Market cap	0.117	1.612	0.107	Not supported
H11	Market cap	→	CGSCORE	−0.013	−0.173	0.863	Not supported

*P<0.05, **P<0.01, ***P<0.001

Table 4: Direct-indirect analysis

Variable	CGSCORE			Market cap		
Relationship	DE	IE	TE	DE	IE	TE
BIND	0.059	-	0.059	0.173***	−0.001	0.172***
BFEM	0.08	-	0.08	−0.072	−0.001	−0.073
BSIZE	0.033	-	0.033	0.306***	-	0.306
BMEET	0.003	-	0.003	0.290***	-	0.290***
CEODUAL	0.068	-	0.068	0.117	−0.001	0.116
CGSCORE	-	-	-	−0.013	-	−0.013
		0.016			0.226	

BSIZE = 0.033, BFEM = 0.08, and BIND = 0.059 respectively. When considering the direct influence of the variables, it was found that the financial performance (Marketcap) is directly influenced by CEODUAL = 0.117, BMEET = 0.29***, BSIZE = 0.306, BFEM = −0.072, BIND = 0.173***, and CGSCORE = −0.013 respectively, which are significant at the 0.01 and 0.001 levels.

5. DISCUSSION

The researcher has discussed the results according to the objectives of the research, which is to examine and analyze the impacts both directly and indirectly of corporate governance and social responsibility affecting the financial performance of sustainable stocks in the Stock Exchange of Thailand. The hypotheses can be divided as follows:

H1: The merger of the positions of Chairman of the Board and Chief Executive Officer affects the level of social responsibility score.

From the study, no influence of the merger of the positions of Chairman of the Board and Chief Executive Officer on the level of social responsibility score was found. This aligns with the research of Uyar et al. (2021), which studied board structure, financial performance, corporate social responsibility performance, CSR committee, and CEO duality: Disentangling the connection in healthcare, finding that the separation of the Chairman and CEO positions leads to more independent decision-making efficiency, as the Chairman does not need to oversee daily business operations. This allows for a more independent perspective on strategic decisions. The separation of roles helps reduce confusion in management and assists in overseeing the company's financial responsibilities and operations. It reduces potential conflicts of interest that may arise between management and directors.

H2: The number of meetings affects the level of social responsibility score.

From the study, no influence of the number of meetings on the level of social responsibility score was found. This is consistent with the research of Nguyen et al. (2021), which examined factors influencing corporate social responsibility disclosure and its impact on financial performance: The case of Vietnam, indicating that meeting frequency is not a direct indicator of the level of social responsibility score. This is because many factors and obligations affect the assessment of an organization's social responsibility. Therefore, the number of meetings itself does not directly impact this aspect. The quality of high-quality meetings can increase understanding and commitment to social responsibility more than the mere number of meetings. Emphasizing the content and purpose of the meetings is essential. Thus, meetings play a significant role in communicating and improving business processes, but they are not a factor that can directly address the high or low level of social responsibility score.

H3: The size of the board affects the level of social responsibility score.

From the study, no influence of board size on the level of social responsibility score was found. This aligns with the work of Mohammadi et al. (2021), which studied the impact of board and audit committee characteristics on corporate social responsibility: Evidence from the Iranian stock exchange. They found that the complexity of the social responsibility variable has multiple dimensions, and there is not just one variable that can indicate the value of the social responsibility score. The board alone cannot explain every aspect of social responsibility. Sometimes, the board may have an overall impact on the organization that is greater than can be measured by assessing social responsibility. Additionally, the impact of some board members' investments or actions may not show immediate results but could affect the level of social responsibility in the long term. Therefore, analyzing and predicting an organization's social responsibility does not depend solely on one variable; all perspectives and factors influencing social responsibility must be considered.

H4: The proportion of female directors affects the level of social responsibility score.

From the study, no influence of the proportion of female directors on the level of social responsibility score was found. This aligns with the research of Ardito et al. (2021), which studied the link between female representation on the boards of directors and corporate social responsibility: Evidence from B corps. They found that the importance of the roles and responsibilities of the board in corporate governance is significant. We must consider how female directors participate in strategic decision-making or planning and whether they fulfill similar roles as male directors. If the roles and responsibilities of both groups do not differ significantly, the results of the study may not find a significant relationship.

H5: The proportion of independent directors affects the level of social responsibility score.

From the study, no influence of the proportion of independent directors on the level of social responsibility score was found. This aligns with the work of El-Chaarani et al. (2022), which studied the impact of corporate governance on the financial performance of the banking sector in the MENA (Middle Eastern and North African) region: An immunity test of banks for COVID-19. They found that the independent board's proportion and social responsibility score did not have a direct relationship, which may be due to the effects on the social responsibility score being one of several factors. Moreover, it also depends on the characteristics and roles of the board members in managing various activities. Sometimes, independent directors may play roles that affect capital market governance or protect investors, which may not directly correspond with social activities.

H6: The merger of the positions of Chairman of the Board and Chief Executive Officer affects financial performance as measured by market capitalization.

From the study, no influence of the merger of the positions of Chairman of the Board and Chief Executive Officer on financial performance as measured by market capitalization was found. This aligns with the research of Hamid and Purbawangsa (2022), which studied the impact of the board of directors on financial performance and company capital: Risk management as an intervening variable. They found that the independence of the board, where the Chairman and CEO positions are separated, may help maintain independence in financial decision-making and business governance without the risk of mutual influence. Separating the roles helps reduce the potential for conflicts of interest and prevents the misuse of power for personal benefit, which may affect financial decisions. Having a governance system that separates these positions can enhance credibility from investors, which may lead to an increase in a company's market capitalization.

H7: The number of meetings affects financial performance as measured by market capitalization.

From the study, it was found that the number of meetings influences financial performance as measured by market capitalization. This is consistent with the research of Ardito et al. (2021), which studied the link between female representation in the boards of directors and corporate social responsibility: Evidence from B corps. They found that having more meetings often positively impacts the financial performance of companies or organizations in various aspects for several reasons. Meetings are also opportunities for boards and executives to discuss and decide on the organization's short-term and long-term strategies. Correct strategic decisions can positively influence financial performance. Meetings assist in reviewing and improving business processes to maximize resource utilization.

H8: The size of the board affects financial performance as measured by market capitalization.

From the study, an influence of board size on financial performance as measured by market capitalization was found. This aligns with the study of Laili et al. (2019), which examined the influence of corporate governance, corporate social responsibility, and firm size on firm value: Financial performance as a mediation variable. They found that larger boards are more likely to have diversity, which can aid in more complex strategic decision-making, such as business expansion or entering new markets. Larger boards often have diverse skills and business expertise, playing a significant role in overseeing and controlling the company's financial activities. This can create credibility from investors, as investors often view diverse boards as better prepared and capable of facing business challenges. Therefore, board size plays an essential role in establishing and maintaining the financial performance of companies or organizations.

H9: The proportion of female directors affects financial performance as measured by market capitalization.

From the study, no influence of the proportion of female directors on financial performance as measured by market capitalization was found. This contradicts the research of Leyva-Townsend et al. (2021), which studied female board participation and firm financial performance: A panel study from a Latin American economy. They found that for companies or organizations where the board plays a significant role in financial and business decision-making, the proportion of females on the board may have a considerable impact on financial performance. The skills and experience of female board members influence financial performance. If the board has strong financial skills and business understanding, it can affect financial performance. Companies operating in diverse environments and responding to gender diversity may achieve better financial performance. Local or national business conditions may impact how female board members influence financial performance.

H10: The proportion of independent directors affects financial performance as measured by market capitalization.

From the study, an influence of the proportion of independent directors on financial performance as measured by market capitalization was found. This aligns with the research of Queiri et al. (2023), which studied the role of independent directors on corporate governance and financial performance in listed companies: A systematic review. They found that independent directors often have a significant impact on improving the corporate governance structure, thereby influencing overall financial performance. Independent directors enhance the transparency of corporate governance, which can lead to better performance in the capital market. Companies with a significant proportion of independent directors may present a more credible picture to investors, leading to an increase in stock prices and overall financial performance. Furthermore, this aligns with the work of Wang et al. (2021), Impact of women and independent directors on corporate social responsibility and financial performance:

Empirical evidence from an emerging economy. It was found that independent directors often play a role in assessing and managing business risks. Having a board with diverse perspectives and business knowledge can help mitigate potential business risks. Independent directors with expertise in relevant fields are often instrumental in making decisions that can create added value for the business. Additionally, having a high proportion of independent directors does not directly impact the company's market value, but it has indirect effects, including building trust with investors, which may influence investment and the credibility of the business.

H11: The level of corporate social responsibility (CSR) score affects financial performance, as measured by market value.

According to the study, no significant influence was found between CSR scores and financial performance measured by market value. This is consistent with the research of Okafor et al. (2021), corporate social responsibility and financial performance: Evidence from US tech firms, which found that the market value of a business, as perceived by investors, is influenced by the level of CSR. However, when considering individual aspects of responsibility, the effects vary—some are positive, negative, or neutral. This is because CSR scores and financial performance are often different and not always directly related. CSR levels may reflect a commitment to social standards or responsibility, while financial performance is typically measured by business results and the organization's financial operations.

Thus, the market value is a financial metric used to indicate a company's or organization's financial performance. It reflects business success and investor confidence in investing in the company's securities. Social responsibility often involves running a business that is environmentally and socially friendly, adhering to global standards without causing harm to society, providing employee welfare, complying with relevant laws, and participating in social activities. To achieve a high CSR score, companies may need to invest in social activities that do not immediately yield financial returns. However, financial success is influenced by various other factors that affect market value, such as profits, return rates, and net income. Therefore, a high CSR score does not necessarily lead to an immediate increase in market value.

6. CONCLUSION

This study underscores the critical role that corporate governance and social responsibility play in shaping the financial performance of listed companies included in the sustainable stock list. The findings reveal significant relationships for some hypotheses, demonstrating how effective governance structures and responsible corporate practices can enhance financial outcomes, attract investor confidence, and contribute to long-term sustainability. However, the analysis also highlights notable limitations in certain variables, particularly regarding the influence of specific governance features, such as board composition and meeting frequency, on both social responsibility scores and financial performance. These limitations suggest that while corporate governance and social responsibility are integral to corporate success, their impacts can be complex and multifaceted, influenced by various contextual factors that merit deeper exploration. Consequently, this study points to the need for further research to investigate the underlying mechanisms through which corporate governance and social responsibility affect financial performance. Future studies could expand on these findings by exploring the role of industry-specific characteristics, regional differences, and the evolving nature of stakeholder expectations. By addressing these gaps, researchers can provide a more comprehensive understanding of how listed companies can strategically enhance their governance and social responsibility efforts to achieve better financial performance and contribute to broader societal goals.

This research introduces the contribution on good corporate governance positively impacts a company's financial performance, with corporate social responsibility acting as a mediating factor that enhances credibility, attracts investors, reduces risks, improves operational efficiency, and increases employee satisfaction. Altogether, these factors contribute to the company's sustainability and improved financial performance.

7. RECOMMENDATIONS AND FUTURE RESEARCH

Establish corporate governance standards: The government and regulatory bodies should set and continuously improve clear and universal corporate governance standards to provide companies with proper and transparent guidelines. Regular evaluation and monitoring of compliance with these standards should be conducted to ensure strict adherence by companies. Promote corporate social responsibility (CSR): The government and relevant agencies should encourage and support companies in implementing CSR initiatives through programs and activities that contribute to community and environmental development. There should be criteria and standards for CSR performance reporting, enabling stakeholders to evaluate the results transparently. Raise awareness and provide education: Campaigns should be launched to raise awareness of the importance of good corporate governance and CSR for companies, investors, and other stakeholders. Furthermore, training and educational programs should be provided for company executives and employees on principles and best practices in corporate governance and social responsibility. Promote sustainable investment: The government and regulatory bodies should create an environment that fosters sustainable investment by enacting policies and regulations that encourage investment in companies with strong corporate governance and CSR practices. Financial and tax incentives should be offered to investors who support companies with sustainable operations.

Further studies are needed to gain a deeper understanding of the mechanisms linking corporate governance, CSR, and financial performance. Causal research could employ econometric models and path analysis to identify clear causal relationships and mediating factors. Research across various industries and regions should be conducted to explore how the impact of corporate governance and CSR on financial performance differs across diverse contexts. National or regional studies could provide insight into unique contextual factors that influence these relationships.

A mixed-methods approach, integrating both quantitative and qualitative research, could offer a comprehensive view of the relationship between corporate governance, CSR, and financial performance. In-depth interviews with executives, employees, and investors would provide valuable perspectives on relevant opinions and experiences. Moreover, new theoretical models connecting corporate governance, CSR, and financial performance should be developed, drawing from multiple disciplines such as business management, organizational management, and finance. Testing these models in different contexts would help to refine and enhance their relevance and applicability.

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