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THE IMPACT OF OVERSEAS CSR IMPLEMENTATION ON LIFTING PERFORMANCE AND CORPORATE PROFITABILITY AT PERTAMINA INTERNATIONAL EP: A SEM-PLS APPROACH

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Abstract

This study investigates the effect of overseas Corporate Social Responsibility (CSR) on two performance outcomes of Pertamina International EP (PIEP): lifting (Y1) and corporate profit (Y2). Using a quantitative, explanatory design, we compiled 32 observations from four operating areas (Malaysia, Iraq, Algeria, HQ-International) across 2018–2025. CSR is modeled as a latent construct (X) with three reflective indicators CSR_Education, CSR_Environment, and CSR_Overseas while Y1 is measured by lifting_bpd and lifting efficiency, and Y2 by revenue and net profit. Data were analyzed with SEM-PLS (SmartPLS 4). The measurement model meets all thresholds (outer loadings ≥0.70; AVE ≥0.50; CR and Cronbach's alpha ≥0.70), with particularly strong reliability for CSR (CR=0.986; AVE=0.973) and Profit (CR=0.978; AVE=0.978). The structural model shows CSR has a positive and significant effect on both outcomes: CSR → Lifting (β=0.92; t=59.816; p<0.001; R^2=0.847; Q^2=0.515) and CSR → Profit (β=0.961; t=80.605; p<0.001; R^2=0.924; Q^2=0.898). Among indicators, CSR_Overseas (λ=0.988) is the strongest signal within the CSR construct; lifting_bpd (λ=0.935) dominates Y1; and revenue and net profit (both λ=0.989) equally anchor Y2. The findings imply that targeted, context-sensitive overseas CSR can simultaneously stabilize operations and strengthen financial outcomes in international upstream oil and gas.

Keywords: CSR international, lifting, profit, oil & gas, Pertamina.

INTRODUCTION

The global oil and gas industry is currently under significant pressure to balance profitability with environmental sustainability and social responsibility. In the post-COVID-19 era, oil and gas companies worldwide have faced heightened oil price volatility, declining energy demand, and increasing pressure from investors and regulators to incorporate Environmental, Social, and Governance (ESG) principles into their operations (OECD, 2024). Major energy corporations such as Shell, BP, and ExxonMobil have begun to shift their strategies from resource exploitation models to approaches that emphasize sustainability and social responsibility through the implementation of Corporate Social Responsibility (CSR). In this context, CSR is no longer perceived as a voluntary activity, but rather as a strategic instrument to maintain a social license to operate, reinforce social legitimacy, and support long-term operational efficiency (Kusniawati et al., 2025).

Indonesia, as one of Southeast Asia's major oil and gas producers, is experiencing similar challenges. The country's reliance on imported oil, fluctuations in global prices, and declining output from aging fields have compelled national energy companies, such as PT Pertamina (Persero), to expand their upstream operations internationally through its subsidiary, Pertamina Internasional EP (PIEP). Established to manage upstream oil and gas assets and production in countries such as Malaysia, Iraq, and Algeria, PIEP plays a crucial role in enhancing Indonesia's national oil and gas lifting and strengthening the country's position in the global energy market (Pertamina, 2024). However, PIEP's primary challenges extend beyond technical aspects of exploration and production to include complex social, political, and environmental dynamics in its host countries. These circumstances render the implementation of CSR in overseas operations a critical component in ensuring the continuity of operations and safeguarding the company's reputation. The implementation of Corporate Social Responsibility (CSR) in the oil and gas industry is inherently multidimensional. Beyond its aim to generate positive social impact, CSR also functions as a mechanism for mitigating socio-political risks. As highlighted by Dauda (2024), CSR initiatives that are tailored to local needs can reduce community resistance to exploration activities,

accelerate permitting processes, and strengthen relationships with local governments. In the context of Pertamina Internasional EP (PIEP), overseas CSR implementation comprises three main categories: CSR Education, CSR Environment, and the CSR Overseas Program. CSR Education focuses on enhancing community capacity through scholarship programs and vocational training; CSR Environment emphasizes water conservation and waste management; whereas the CSR Overseas Program aims to reinforce social and humanitarian ties within host country communities. Through these initiatives, PIEP seeks not only to generate social value but also to build a stable operational foundation that supports increased lifting performance and corporate profitability. Globally, the oil and gas industry is confronted with the decline of conventional oil reserves, rising exploration costs, and escalating socio-political risks in energy-producing countries (IEA, 2024). Numerous upstream projects in North Africa and the Middle East have been impeded by social unrest and low levels of community acceptance toward foreign oil companies. Simultaneously, global decarbonization pressures are accelerating the shift toward renewable energy, compelling oil and gas firms to balance economic objectives with social responsibilities to remain viable. In this context, CSR emerges as a strategic tool to ensure operational continuity and to enhance corporate positioning in an increasingly competitive global market (Wahyuni et al., 2024).

In Indonesia, the upstream oil and gas sector faces similar challenges. Data from SKK Migas (2024) indicate a continued decline in national oil production, from 778 thousand barrels per day (bpd) in 2015 to approximately 605 thousand bpd in 2023. To counter this trend, overseas expansion has become Pertamina's primary strategy through its subsidiary, Pertamina Internasional EP (PIEP). However, operating in international territories introduces additional complexities, including regulatory discrepancies, political instability, and heightened social expectations from local communities. In this context, international Corporate Social Responsibility (CSR) functions as a risk mitigation strategy that directly influences oil lifting performance and operational efficiency (Le et al., 2024). Internal data from Pertamina Internasional EP (2018–2025) reveal a positive correlation between increased CSR expenditure and enhanced oil lifting in overseas operational areas. According to the CSR Expense by Entity report (2018–2025), the company's CSR budget has more than doubled since 2020, with the largest allocations directed to Iraq and Algeria. Over the same period, oil lifting rose from 124 thousand bpd in 2018 to 160 thousand bpd in 2024 (PIEP, 2024). This surge was largely driven by the success of key projects such as West Qurna-I in Iraq and Menzel Lejmat North in Algeria, both of which recorded average annual production increases of 5–8%. These findings suggest that CSR initiatives can indirectly enhance productivity by fostering greater social and operational stability.

Environmentally-based Corporate Social Responsibility (CSR) has been shown to contribute to energy efficiency and the mitigation of production disruption risks. For instance, water conservation and land rehabilitation programs implemented in Algeria have supported the sustainable supply of production-related resources. Simultaneously, CSR initiatives in education focusing on enhancing the capacity of local labor forces in Malaysia and Iraq have fostered harmonious social relations and reduced long-term labor costs. Consequently, PIEP's social investments can be interpreted as operational strategies that reinforce field-level stability and productivity. The impact of CSR on the profitability of oil and gas companies is also becoming increasingly measurable. According to the PIEP Annual Report 2024, the company reported operating revenues of USD 1,556.841 million, reflecting a 25% increase from the previous year (USD 1,242.342 million). Net profit after tax reached USD 313.444 million, a substantial rise from USD 240.635 million in 2023 (Pertamina Internasional EP, 2024). This growth was driven not only by global oil prices but also by operational efficiencies and the company's strengthened social reputation in host countries. Effective CSR programs contribute to a stable business environment, reduce the risk of social litigation, and expedite the negotiation of new cooperation contracts all of which positively affect long-term profitability (Ardiansyah & Alnoor, 2024). Research by Velnampy (2024) and Tylżanowski et al. (2023) suggests that integrating CSR into business strategies can enhance cost efficiency by up to 15% in the energy sector. Ningsih et al. (2022) further assert that firms aligning CSR with their core business strategies tend to consistently experience improvements in return on assets (ROA) and net profit margin (NPM). In the case of PIEP, the synergy between CSR and profitability is evident in the parallel trends of increasing net profits and expanding international CSR budgets. Therefore, CSR serves a dual role both as a social engagement tool and as a financial instrument that underpins sustainable corporate performance.

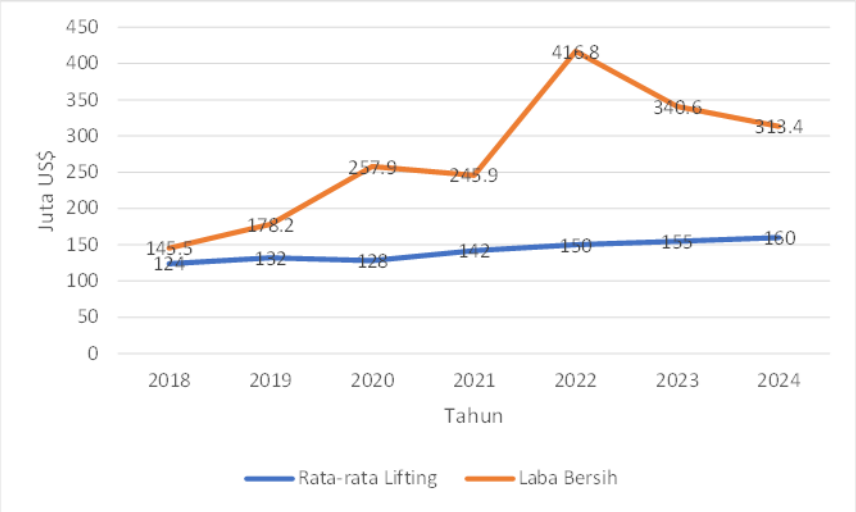

Figure 1. Trends in Lifting Performance and Profitability of Pertamina International EP (2018–2024)

Figure 1 illustrates a positive directional relationship between lifting performance (Y1) and corporate profit (Y2), whereby increases in lifting volumes are followed by growth in net profit. This pattern is subject to fluctuations primarily influenced by global oil prices and operational cost efficiency. In addition to contributing to productivity and profitability, Pertamina International EP's (PIEP) overseas Corporate Social Responsibility (CSR) initiatives also embody a strategic dimension of economic diplomacy. According to Apandi et al. (2024), CSR activities carried out by Indonesian state-owned enterprises (SOEs) abroad including those by Pertamina form part of a broader energy diplomacy strategy aimed at enhancing Indonesia's image as a responsible energy producer. In countries such as Iraq and Algeria, PIEP's CSR initiatives ranging from the construction of educational facilities and health clinics to humanitarian assistance function as informal diplomatic bridges between the Indonesian government and its partner countries. These efforts have enhanced local trust toward the company and facilitated the licensing process for new projects. Thus, overseas CSR initiatives carry not only economic value but also political and social significance, thereby strengthening corporate competitiveness in high-risk regions.

Despite a growing body of international literature affirming the positive association between CSR, productivity, and profitability, empirical studies examining the impact of overseas CSR on lifting performance and profitability of Indonesian state-owned oil and gas companies remain scarce. Most prior studies have focused predominantly on domestic CSR or corporate reputation, without linking such activities to cross-border operational performance (Ardika et al., 2025). Consequently, there exists a significant empirical gap in understanding how overseas CSR initiatives may influence two critical performance indicators in the oil and gas industry: lifting and profitability. In response to this gap, the present study aims to analyze the influence of overseas CSR implementation on lifting performance (Y1) and corporate profit (Y2) in the case of Pertamina International EP over the 2018–2025 period. The findings of this research are expected to contribute theoretically to the CSR literature in the energy sector, while also offering practical insights for policymakers and state-owned energy enterprises in formulating cross-border CSR strategies that support sustainable productivity and profitability.

LITERATURE REVIEW

1. Lifting

In the upstream oil and gas industry, lifting refers to the volume of oil and gas transported from production facilities for commercialization. It serves as the operational performance indicator most closely tied to upstream revenue realization (SKK Migas, 2023). In practice, lifting is influenced by a combination of geological factors, production technology, operational efficiency, facility uptime, and the socio-regulatory stability of the operating region (BP, 2024; EIA, 2022). As the output of a production system, lifting is highly sensitive to both technical and non-technical disruptions, including licensing delays, logistical constraints, and socio-political resistance near project areas (Fraser et al., 2023). In the context of national oil companies from developing countries expanding abroad, lifting is also shaped by their capacity to manage stakeholder relations across jurisdictions and to navigate country risk dynamics (Sun et al., 2021). Therefore, the analysis of lifting performance necessitates the integration of both technical and institutional perspectives to account for performance variation across operational regions.

2. Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is conceptualized as a corporation's commitment to ethical conduct, minimizing negative externalities, and maximizing social and environmental contributions to stakeholders (Taliento & Netti, 2020). The stakeholder perspective asserts that organizational sustainability depends on a firm's ability to meet the expectations of all affected parties, not solely those of shareholders (Burbano et al., 2020). Over the past two decades, CSR orientation has shifted from philanthropic initiatives to strategic integration, increasingly linked to competitive advantage and risk management frameworks (Kaligis et al., 2025). In the extractive sector, CSR functions as a mechanism to build social legitimacy and secure a social license to operate, primarily through community engagement, environmental protection, and governance transparency (Famiyeh et al., 2020). These findings position CSR as a core strategic function rather than a peripheral activity, particularly in high-risk industries.

3. Foreign CSR

Foreign Corporate Social Responsibility (CSR) refers to the implementation of socio-environmental programs in jurisdictions where companies operate outside their home countries. It underscores the importance of local contextual sensitivity, socio-political dynamics, and institutional capacity to ensure that programs are effective and not based on a one-size-fits-all approach. In the oil and gas sector, cross-border CSR is often associated with reducing social conflict, facilitating licensing processes, and ensuring operational stability, factors that collectively foster a conducive environment for sustainable production (Sun et al., 2021). Commonly prioritized domains include education, environmental stewardship, and broader community-oriented initiatives.

a. CSR in Education
   Educational CSR programs typically encompass scholarships, vocational training, STEM outreach initiatives, teacher capacity development, and partnerships with local universities. Empirical evidence suggests that educational CSR enhances community acceptance and strengthens local content through the preparation of a skilled workforce, thereby mitigating social friction and indirect operational barriers (Dawar & Singh, 2023). Industry-aligned vocational training further improves employability and establishes constructive communication channels between companies and local communities (Zeng & Della, 2024).
b. CSR in the Environment
   Environmental CSR in upstream oil and gas operations focuses on managing impacts such as emissions, water usage, waste, biodiversity, and land reclamation. Industry guidelines emphasize impact assessment, risk mitigation, and adaptive management practices to maintain ecosystem integrity while reducing the likelihood of conflicts related to environmental degradation (Padhiary & Kumar, 2024). Studies in the energy sector reveal that strong environmental performance correlates positively with operational stability and long-term cost efficiency by minimizing incidents and downtime.
c. CSR in Community Development (CSR Overseas)
   The term "CSR Overseas" is often used by companies to categorize community-based initiatives beyond education and environmental domains. These include public health programs, small-scale infrastructure development, humanitarian aid, support for local micro and small enterprises (MSEs), and cultural activities. Such initiatives are most effective when grounded in community needs, implemented transparently, and guided by measurable outcome indicators—ensuring they go beyond charitable giving (Wilson, 2022). A clearly articulated theory of change, coupled with collaborative governance involving local stakeholders, is essential for translating social contributions into a strengthened social license to operate.

4. International CSR of Pertamina EP

Pertamina's international CSR activities most frequently referenced in corporate reports are concentrated in Malaysia, Iraq, Algeria, as well as corporate-level initiatives coordinated by International EP (head office/holding entity), aimed at policy harmonization and governance enhancement of social programs (Pertamina, 2023). Indonesia's overseas oil and gas operations indicate that operational success is influenced by a combination of technical and relational factors, including the quality of stakeholder engagement and the extent to which social programs are tailored to local needs.

5. Corporate Profit

Corporate profit serves as a primary indicator of financial performance and operational efficiency within a business organization. Conceptually, profit represents the surplus derived from the difference between total

revenues and total expenses incurred over a given period. According to Brigham and Houston (2022), profitability not only reflects a company's ability to generate earnings but also signifies the effectiveness of management in optimizing asset utilization and resource allocation. High profitability serves as a positive signal to investors and stakeholders, suggesting that the company possesses a strong competitive edge and efficient operational strategies. In the context of oil and gas enterprises such as Pertamina International EP, corporate profitability is significantly influenced by global oil price fluctuations, lifting volumes, production efficiency, and CSR strategies that foster stronger relationships with local communities and governments (Attah & Amoah, 2023).

Moreover, profit is frequently used as a key benchmark in assessing business sustainability, as stable earnings enable reinvestment, market expansion, and the enhancement of employee welfare and community development (Zopounidis & Lemonakis, 2024). In the era of globalization, multinational corporations must also account for external factors, such as host country regulations and public perceptions of their operations, given that social and environmental dimensions are increasingly correlated with long-term profitability (Ningsih et al., 2022). Therefore, profit enhancement strategies in modern oil and gas companies extend beyond technical and financial efficiency, encompassing the implementation of effective CSR practices as instruments for corporate reputation and sustainable growth.

METHOD

1. Research Approach and Design

This study adopts a quantitative approach aimed at analyzing the impact of international Corporate Social Responsibility (CSR) implementation on lifting increase (Y_1) and company profit (Y_2) at Pertamina Internasional EP (PIEP) during the 2018–2025 period. The quantitative approach is chosen for its ability to empirically explain causal relationships between variables and to provide a statistical foundation for strategic decision-making in the oil and gas industry (Hair et al., 2021). One of the advantages of the Partial Least Squares–Structural Equation Modeling (PLS-SEM) method is its capacity to analyze relationships between variables even when the sample size is relatively small. For example, Awaluddin & Heikal (2024) successfully applied PLS-SEM to examine the relationship among three factors affecting customer satisfaction using a sample of only 150 respondents. In this study, the implementation of international CSR is treated as the independent variable (X), while the two dependent variables are defined as follows:

Y_1 = Lifting Increase (representing operational performance)
Y_2 = Company Profit (representing financial performance)
The conceptual model depicting the relationships among the variables is illustrated as follows:

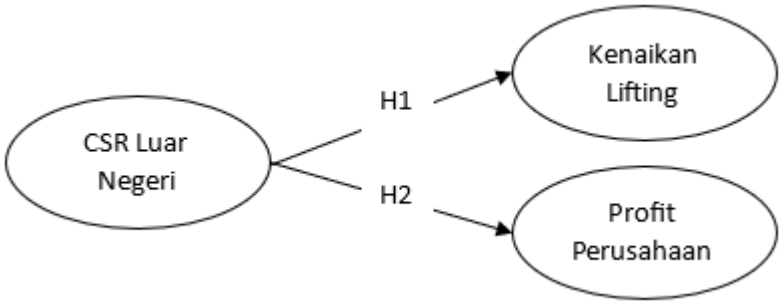

Figure 2. Conceptual Framework

This model posits that Foreign Corporate Social Responsibility (CSR) exerts a direct and significant influence on two key performance indicators of Pertamina International EP (PIEP): operational performance (lifting) and financial performance (profit), without involving any mediating variables. The research hypotheses are as follows:

H1: Foreign CSR has a significant effect on lifting performance.
H2: Foreign CSR has a significant effect on corporate profit.

2. Research Population and Sample

The population in this study comprises all financial reports and records of foreign CSR activities conducted by Pertamina International EP (PIEP) during the period of 2018–2025. This population includes four major operational regions:

a. Malaysia (PC Ketapang II)

b. Iraq (West Qurna-I)
c. Algeria (MLN Block)
d. Head Office / International Holding (Jakarta & Dubai)

The sample was selected using purposive sampling, based on the following criteria:

a. Availability of annual CSR realization data (2018–2025) for the respective foreign operations.
b. Availability of audited annual lifting and corporate profit data.
c. Data verified through PIEP's sustainability reports and financial statements.

A total of 32 observations (N = 32) were included in the study, representing a combination of 8 years of observation across 4 operational areas.

3. Types and Sources of Data

The data utilized in this study are secondary in nature, obtained from the following sources:

PIEP Sustainability Reports (2018–2025)

PIEP Consolidated Financial Statements (2018–2025)

CSR Expense by Entity Recapitulation and Lifting Report (PIEP Internal Document, 2025)

All data were converted into United States Dollars (USD) to ensure consistency in analysis across periods and regions.

4. Operationalization of Variables

Table 1 presents the Operationalization Matrix of Research Variables, outlining the constructs, dimensions (where applicable), indicators, and sources of measurement.

Table 1. Operationalization Matrix of Research Variables

Variable	Dimension	Indicator	Scale	Data Source / Reference
Foreign CSR (X)	CSR in Education	Amount of foreign CSR funding allocated to education (USD)	Ratio	PIEP Sustainability Report (2024); Kusniawati et al. (2025)
	CSR in Environment	Value of environmental CSR investment (USD)	Ratio	PIEP CSR Report (2025); Tylżanowski et al. (2023)
	CSR Overseas Programs	Value of investment in international CSR programs (USD)	Ratio	PIEP Annual Report (2024); Dauda (2024)
Lifting Increase (Y_1)		1. Annual lifting volume (barrels per day) 2. Annual percentage increase in lifting (%) 3. Efficiency ratio of lifting to operational costs	Ratio	PIEP Annual Report (2024); Ardiansyah & Alnoor (2024)
Company Profitability (Y_2)		1. Total operating revenue (USD) 2. Net profit after tax (USD) 3. Return on Assets (ROA) 4. Return on Equity (ROE)	Ratio	PIEP Financial Statement (2024); Ningsih et al. (2022)

5. Data Analysis Technique

The data analysis in this study was conducted using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) approach, facilitated by the SmartPLS 4.0 software. This technique was selected due to its capability to simultaneously examine the relationships between one independent variable (Foreign CSR) and two dependent variables (Lifting Increase and Corporate Profit) within a single structural model. SEM-PLS is also appropriate for small sample sizes (N = 32) and does not require data to follow a multivariate normal distribution. The analysis in SmartPLS consists of two primary stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model). The outer model evaluation aims to ensure the reliability and validity of each indicator, assessed through convergent validity (outer loading ≥ 0.70 and AVE ≥ 0.50), discriminant validity (Fornell–Larcker criterion), and construct reliability (Cronbach's Alpha and Composite Reliability ≥ 0.70). Once

construct validity is established, the analysis proceeds to the inner model evaluation, which tests the causal relationships among latent variables. The R^2 value is used to assess the explanatory power of CSR on lifting and profit (considered strong if > 0.67), while f^2 indicates the relative effect size, and Q^2 evaluates the model's predictive relevance. Path significance testing was conducted using the bootstrapping method with 5,000 subsamples, applying a 5% significance level (t-statistic > 1.96 and p-value < 0.05). The final output of this stage provides estimates of the direct effects of foreign CSR on lifting increase and corporate profit, which are then interpreted to support the empirical conclusions of the study.

RESULTS AND DISCUSSION

A. Outer Model

The outer model assessment aims to evaluate the validity and reliability of the indicators used to measure each latent construct, namely International CSR, Lifting, and Corporate Profit. Table 2 presents the results of the outer loadings, Cronbach's Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE). An indicator is considered convergently valid if it has an outer loading value ≥ 0.70 and an AVE value ≥ 0.50. Meanwhile, a construct is deemed to have good reliability if both the Cronbach's Alpha and CR values are ≥ 0.70 (Hair et al., 2021). These test results determine whether each variable consistently and accurately represents the construct it is intended to measure.

Table 2. Results of Outer Loadings, Cronbach's Alpha, Composite Reliability, and AVE

Variable	Indicator	Outer Loading	Cronbach's Alpha	CR	AVE
International CSR	CSR_Edu_USD_mn	0.985	0.986	0.986	0.973
	CSR_Env_USD_mn	0.987			
	CSR_Overseas_USD_mn	0.988			
Lifting	Lifting_Efficiency_bbl_per_$1k_OPEX	0.700	0.748	0.739	0.669
	Lifting_bpd	0.935			
Corporate Profit	Net_Profit_USD	0.989	0.978	0.978	0.978
	Revenue_USD	0.989			

Based on the results presented in Table 2, all indicators within the International CSR variable exhibit very high outer loading values, ranging from 0.985 to 0.988. The construct also demonstrates strong internal consistency, as evidenced by a Cronbach's Alpha of 0.986, Composite Reliability (CR) of 0.986, and Average Variance Extracted (AVE) of 0.973. These results indicate that the three indicators CSR_Edu_USD_mn, CSR_Env_USD_mn, and CSR_Overseas_USD_mn are highly reliable and valid in capturing the dimension of international CSR. The Lifting variable also meets the criteria for convergent validity, with outer loading values ranging from 0.700 to 0.935, Cronbach's Alpha of 0.748, CR of 0.739, and AVE of 0.669. These values suggest that the indicators Lifting_bpd and Lifting_Efficiency_bbl_per_$1k_OPEX are reasonably effective in representing the construct. Meanwhile, the Company Profit variable shows excellent measurement quality, with both indicators Net_Profit_USD and Revenue_USD yielding outer loading values of 0.989. The construct further exhibits high internal consistency, with Cronbach's Alpha of 0.978, CR of 0.978, and AVE of 0.978. These metrics confirm that all constructs demonstrate strong validity and reliability, making them suitable for subsequent structural analysis. To assess discriminant validity, the Fornell–Larcker criterion was applied. This test evaluates the extent to which latent constructs are distinct from one another. Discriminant validity is established when the square root of each construct's AVE (located on the diagonal of the correlation matrix) is greater than its correlations with other constructs. In other words, each construct should correlate more strongly with its own indicators than with those of other constructs in the model (Sarstedt et al., 2020).

Table 3. Fornell–Larcker Criterion

	International CSR	Lifting	Corporate Profit
International CSR	0.987		
Lifting	0.92	0.818	
Corporate Profit	0.961	0.925	0.989

The results presented in Table 3 indicate that all constructs meet the criteria for discriminant validity. The highest diagonal value (square root of AVE) was observed for Corporate Profit (0.989), followed by International CSR (0.987), and Lifting (0.818). The inter-construct correlations also demonstrate strong associations, particularly between International CSR and Lifting (0.92), as well as International CSR and Corporate Profit (0.961). However, these correlations remain below the square root of the AVE for their respective constructs. Therefore, it can be concluded that each latent construct in the model is distinct and that no significant overlap exists among the variables, thereby supporting the adequacy of the measurement model for subsequent structural evaluation.

B. Inner Model

The inner model evaluation aims to assess the strength of the causal relationships among latent variables and to examine the model's predictive capabilities using R^2, f^2, and Q^2 values. The R^2 coefficient indicates the proportion of variance in the dependent variable explained by the independent variables. The f^2 statistic measures the effect size or relative contribution of each path relationship, while the Q^2 value evaluates the predictive relevance of the model (Hair et al., 2021).

Table 4. Results of F-Square, R-Square, and Q-Square Analyses

Path	f-square	R-square	Adjusted R-square	Q^2
International CSR → Lifting	5.546	0.847	0.842	0.515
International CSR → Corporate Profit	12.157	0.924	0.921	0.898

Based on Table 4, the R^2 value for the path International CSR → Lifting is 0.847, and for International CSR → Corporate Profit is 0.924, indicating a very strong explanatory power. This implies that international CSR accounts for 84.7% of the variance in lifting and 92.4% of the variance in corporate profit. The f^2 values of 5.546 and 12.157 indicate very large effect sizes, suggesting that international CSR exerts a substantial influence on both dependent variables. In addition, the Q^2 values of 0.515 for lifting and 0.898 for profit further confirm the high predictive relevance of the model. Overall, the inner model demonstrates excellent predictive quality and supports a significant positive relationship between the implementation of international CSR and both operational and financial performance of PIEP.

C. Hypothesis Testing

Hypothesis testing was conducted to assess the significance of the relationships among variables within the structural model, using the bootstrapping method with 5,000 subsamples. A hypothesis is supported if the T-statistic > 1.96 and the p-value < 0.05 at a 5% significance level. This analysis is employed to determine whether the implementation of international CSR has a statistically significant effect on lifting performance (H1) and corporate profit (H2).

Table 5. Hypothesis Testing Results

Hypothesis	Coefficient	t-Statistic	p-Value	Decision
H1	International CSR → Lifting	0.92	59.816	0.000
H2	International CSR → Corporate Profit	0.961	80.605	0.000

The structural model of SEM-PLS is presented in Figure 3 below.

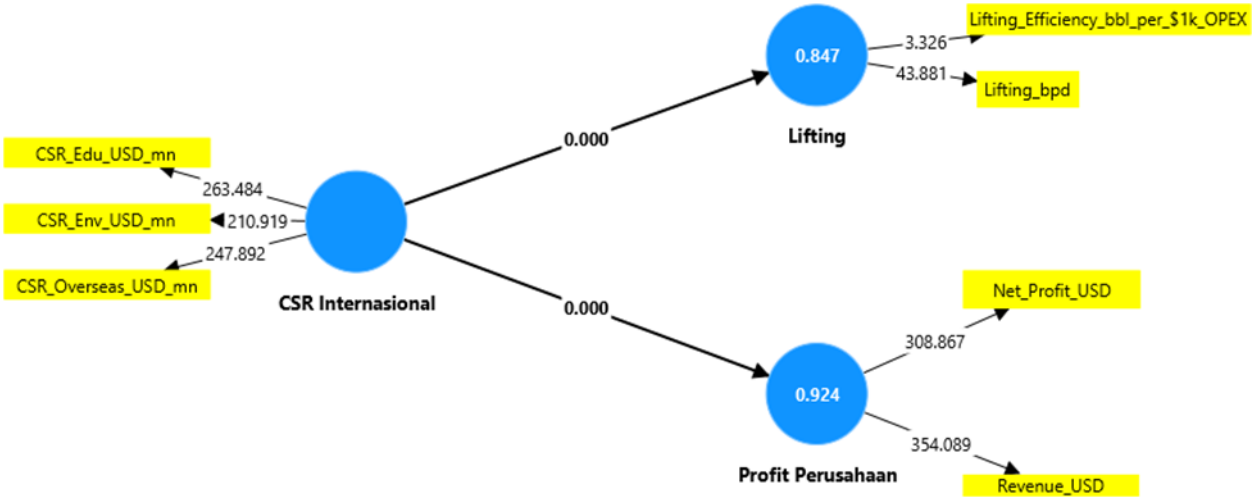

Figure 3. Structural Model of SEM-PLS

The results presented in Table 5 indicate that both hypotheses are supported, as the T-statistics values significantly exceed the minimum threshold and the p-value is 0.000. The path International CSR → Lifting yields a coefficient of 0.92 with a T-statistic of 59.816, while the path International CSR → Corporate Profit shows a coefficient of 0.961 with a T-statistic of 80.605. These findings demonstrate that the implementation of international CSR has a positive and statistically significant effect on both lifting performance and corporate profit of PIEP. In other words, the greater the investment in international CSR, the higher the improvements in both the company's operational and financial performance. These results are consistent with the findings of Ardiansyah & Alnoor (2024) and Ningsih et al. (2022), who assert that CSR initiatives integrated with corporate strategy can enhance long-term productivity, efficiency, and profitability in the oil and gas sector.

D. Discussion

The results of the hypothesis testing indicate that the implementation of international Corporate Social Responsibility (CSR) has a positive and significant effect on both dependent variables, namely lifting performance (Y_1) and corporate profit (Y_2). As shown in Table 5, the CSR → Lifting path yields a coefficient of 0.92, with a t-statistic of 59.816 and a p-value of 0.000. Similarly, the CSR → Profit path shows a coefficient of 0.961, a t-statistic of 80.605, and a p-value of 0.000. These values demonstrate a strong and statistically significant relationship at the 95% confidence level. This suggests that the higher the intensity and effectiveness of CSR implementation abroad, the greater the improvement in both operational performance (lifting) and financial performance (profit) of Pertamina International EP (PIEP). These findings support both stakeholder theory and the resource-based view (RBV), which posit that strategically managed social initiatives can serve as intangible resources that enhance corporate legitimacy, operational efficiency, and performance outcomes (Hair et al., 2021; Heikal et al., 2022).

Furthermore, the results underscore that overseas CSR implementation is not merely philanthropic in nature but functions as an operational strategy that mitigates social and political risks, particularly in high-risk operational areas such as Iraq and Algeria. When social relations between the company and local communities are harmonious facilitated through education, environmental, and humanitarian programs production activities tend to be more stable and efficient. This condition is reflected in the Lifting_bpd indicator (loading = 0.935), which emerged as the primary determinant of operational performance. This aligns with the study by Sukmayanti et al. (2025), which found that in resource-based industries, managerial effectiveness and external relations play a critical role in enhancing firm value through operational productivity and financial outcomes.

From a financial perspective, the indicators Net_Profit_USD and Revenue_USD (both with loadings = 0.989) made the strongest contributions to the corporate profit variable. These results reinforce the notion that CSR, when integrated with core business strategies, can significantly enhance long-term profitability through positive reputational effects and cost efficiency (Fajri & Heikal, 2022; Sukmayanti et al., 2025). Methodologically, the R^2 value of 0.847 for lifting and 0.924 for profit indicate a highly robust predictive capacity of the model, while the Q^2 values of 0.515 and 0.898 further confirm high predictive relevance to the empirical data. These findings validate the effectiveness of the SEM-PLS model in explaining the simultaneous influence of a single independent variable on two dependent variables, even with a relatively limited sample size, consistent with the recommendations of Hair

et al. (2021) and further supported by empirical studies in the financial and energy sectors (Heikal et al., 2024; Kettipusem & Heikal, 2024). In conclusion, the international CSR initiatives undertaken by PIEP yield dual benefits: they enhance operational performance through improved social stability and lifting efficiency, while simultaneously strengthening financial performance by fostering stakeholder trust and enhancing global corporate reputation. These findings affirm that CSR integration into international business strategy is not merely a matter of social compliance, but rather constitutes a strategic investment that supports long-term corporate sustainability in the global oil and gas sector.

CONCLUSION

The results of this study indicate that international corporate social responsibility (CSR) initiatives exert a positive and statistically significant influence on both production output (lifting, Y1) and corporate profitability (Y2) at PIEP. Structurally, the path coefficients CSR → Lifting = 0.920 ($p < 0.001$; $R^2 = 0.847$) and CSR → Profit = 0.961 ($p < 0.001$; $R^2 = 0.924$) highlight the substantial and meaningful contribution of CSR to operational and financial performance outcomes. At the indicator level, Y1 is most strongly represented by lifting_bpd (loading = 0.935), in comparison to lifting efficiency (loading = 0.700), suggesting that production volume serves as the primary explanatory factor of operational performance. For Y2, both net_profit_USD and revenue_USD display equally high loadings (0.989), implying that improvements in profitability are concurrently driven by revenue generation and the maintenance of profit margins. Model quality metrics further reinforce the robustness of these findings: construct reliability and convergent validity are confirmed (Cronbach's alpha and composite reliability ≥ 0.748; average variance extracted [AVE] ≥ 0.669); discriminant validity is supported via the Fornell–Larcker criterion; and predictive relevance is established (Q^2_Y1 = 0.515; Q^2_Y2 = 0.898). These indicators substantiate the conclusion that increased investment in, and enhanced implementation quality of, international CSR programs are closely associated with improved lifting performance and profitability at PIEP. Recommended Policy Directions Based on Indicator-Level Insights

1. For Y1 – Lifting (Key Indicator: lifting_bpd): It is recommended to prioritize environmental CSR budget allocations toward initiatives that directly reduce operational disruptions, such as water conservation, waste management, and community preparedness in major production sites (e.g., Iraq and Algeria). These efforts are expected to contribute to a stable increase in lifting_bpd by minimizing downtime and social friction.
2. For Y2 – Corporate Profit (Key Indicator: net_profit_USD): Synchronization of CSR programs with operational cost efficiency strategies is essential. For example, fostering vocational partnerships for local workforce development and supply chain engagement can help amplify social impact while strengthening net profit margins by reducing operating costs and mitigating social-regulatory risks.

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