

## THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY PERFORMANCE ON STOCK RETURNS WITH CAPITAL STRUCTURE AS A MODERATING VARIABLE

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### Abstract

This study seeks to provide empirical proof of how Corporate Social Responsibility (CSR) performance influences stock returns, considering capital structure as a moderating component. A quantitative method was applied using a repeated cross-sectional design, where data were obtained from various companies each year during the observation period. The study relies on secondary information derived from annual reports and sustainability disclosures. Sampling was conducted purposively, determined by clearly defined selection criteria. Data were analyzed through multiple regression and Moderated Regression Analysis (MRA). The results show that CSR performance has no significant impact on stock returns. However, the Debt to Equity Ratio (DER) as a moderating variable intensifies the relationship between CSR and stock returns, though the effect is negative. The recommendation of this research is that companies in the basic materials industry should not only implement CSR to meet regulatory requirements, but also ensure effective management of their capital structure. Excessive debt levels may weaken investors assessment of CSR activities.

**Keywords:** Corporate Social Responsibility (CSR) Performance, Stock Returns, Debt to Equity Ratio (DER)

### A. INTRODUCTION

The capital market serves as a medium that links investors holding surplus funds with those seeking financial resources (Ojo & Albertus, 2021). In the research by Sholikah, *et al.*, (2022), emphasize that the capital market not only integrates the objectives of investors and issuers from an economic perspective, while from a financial perspective, it can provide opportunities for fund owners to obtain profits or returns. Non-financial information that can be considered by investors includes corporate social responsibility reports or CSR disclosures, which can be found in annual reports or sustainability reports (Waaqi'ah, *et al.*, 2021).

Companies that disclose sustainability reports can increase investor confidence, which can increase stock trading volume and thus increase stock returns (Muzaky, *et al.*, 2022).

The focus of this study is on the dynamics of stock returns among basic materials companies recorded on the Indonesia Stock Exchange (IDX) between 2019 and 2024.

**Table 1. Average return on basic materials sector stocks for the period 2019–2024**

Sub-sector Name	Average Stock Return					
	2019	2020	2021	2022	2023	2024
(B11)Chemicals	53.88%	31.05%	-0.37%	9.83%	28.67%	-12.53%
(B12)Construction & Material	-13.37%	19.52%	-38.90%	-20.80%	-25.30%	-38.64%
(B13)Containers & Packaging	111.58%	-13.61%	17.65%	61.48%	-32.13%	6.54%
(B14)Metals & Minerals	2.20%	70.25%	12.68%	7.31%	-29.56%	22.80%
(B15)Forestry & Paper	-11.03%	24.88%	35.91%	-20.39%	9.19%	-23.47%

Source: www.yahoofinance.com. (2025)

Based on Table 1, it can be seen that the chemical sub-sector experienced an increase of 28.67% in stock returns. One of the companies in the chemical sub-sector, PT Barito Pacific, Tbk (BRPT), experienced a share price increase to IDR 1,410 (Nurmutia, 2023). The company also upholds sustainability values with a score of 67.58 across environmental, social, and governance (ESG) aspects (Katadata, 2024). In contrast, the containers and packaging subsector experienced a decline of 32.13%. One of the issuers in this subsector, PT Suparma Tbk (SPMA), reported a decrease in net profit in the third quarter of 2023, which subsequently led to a 52.9% drop in its share price to IDR 354 per share (Taufani, 2024). Furthermore, the discovery of paper mill waste from PT Suparma Tbk along rivers in Surabaya. (LintasPerkoro, 2023). Indeed, Government Regulation No. 47 of 2012 on the Implementation of Corporate Social and Environmental Responsibility (CSR) requires that all companies engage in CSR activities. However, the existence of this regulation has not yet been sufficient to resolve the social and environmental issues faced by society.

Various studies have produced conflicting results regarding the impact of CSR on stock returns. According to research by Li, *et al.*, (2022), Hafidzi & Qomariah (2022) discovered that CSR influences stock returns. In contrast, the studies by Fathony, *et al.*, (2020), Suprpto &

Susilo (2020) reported that CSR does not have a substantial impact on stock returns. Considering the inconsistent findings in prior studies, the uniqueness of this research lies in incorporating capital structure as a moderating variable.

Capital structure describes how a firm finances its business activities, which in turn determines the extent of risks it may face (Siregar, 2024). The Debt to Equity Ratio (DER) illustrates a firm's attempt to increase profitability while providing assurance to stakeholders when seeking external financing (Amelia & Wardoyo, 2025). The DER ratio is used to analyze capital structure and can also be utilized to examine a company's stock (Amri & Ramdani, 2020). Research by Delpania, *et al.*, (2023), Bintara (2020), Wesso, *et al.*, (2022) demonstrates that DER has a positive influence on stock returns.

Based on the preceding discussion, this research aims to provide empirical proof regarding how CSR performance affects stock returns and further examines the role of capital structure as a moderating factor in this relationship.

## **Theoretical Study**

### **Signaling Theory**

According to Spence (1973), signaling theory explains that one party conveys information to another, although the information transmitted often contains asymmetry. Signaling theory is a concept that addresses market price fluctuations, including stock prices, bonds, and other assets, which can impact investor decision-making (Bintara, 2020).

### **Pecking Order Theory**

Donaldson initially introduced this theory in 1961, emphasizing the hierarchy of preferences firms adopt when determining their financing choices. According to Myers (1984), when using external funds, the funding sequence starts with debt, followed by new equity issuance, and then retained earnings.

## **Hypothesis Development**

### **The Effect of CSR Performance on Stock Returns**

Based on signaling theory, firms attempt to convey favorable signals to investors (Nurlatifah & Tama, 2024). One way to send these signals is through CSR disclosure. This disclosure can send positive signals to investors. CSR reporting can enhance government trust

and positively influence stock performance (Coelho, *et al.*, 2023). Studies by Aryani, *et al.*, (2025), Sukesti, *et al.*, (2024), Li, *et al.*, (2022) reveal that CSR influences stock returns.

H1: CSR performance has a positive effect on stock returns.

### **The Effect of Capital Structure on Stock Returns**

Pecking order theory suggests that firms usually prioritize funding sources in the following order: retained earnings, debt, and lastly the issuance of new equity (Yıldırım & Çelik, 2021). When a company's debt level is high, it may negatively affect firm value, thereby reducing stock returns. If the DER is low, profits will increase, and the company will have a larger borrowing limit. Findings from Wesso, *et al.*, (2022), Bintara (2020), Delpania, *et al.*, (2023) indicate that DER has a positive impact on stock returns.

H2: Capital structure is able to reinforce the relationship between CSR performance and stock returns.

## **B. METHOD**

This study uses a repeated cross-section approach, which is a data collection method conducted over several periods, but the unit of analysis or company in each year does not have to be the same. Within this study, CSR performance serves as the independent variable, while stock return represents the dependent variable. The control variables applied include Return on Assets (ROA), firm size, and leverage.

This study employs secondary data sourced from annual reports and sustainability disclosures covering the 2019–2024 period, retrieved from [www.idx.co.id](http://www.idx.co.id) as well as official company websites. The research focuses on companies operating in the basic materials sector listed on the IDX within 2019–2024. The sample includes 35 companies, selected through purposive sampling.

## **C. RESULTS AND DISCUSSION**

### **Classical Assumption Test**

#### **Normality Test**

Table 2. One Sample K-S

<i>One-Sample Kolmogorov-Smirnov Test</i>		
		Unstandardized Residual
N		165
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	1.25215786
Most Extreme Differences	Absolute	.066
	Positive	.066
	Negative	-.056
Test Statistic		.066
Asymp. Sig. (2-tailed)		.073 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: Output SPSS 25 (2025)

Table 2 shows that the Asymp. Sig. (2-tailed) value is 0.073, which is above the standard significance threshold of 0.05 (5%). Because the p-value is higher than 0.05, it suggests that the data does not differ significantly from a normal distribution. Therefore, the data does not show a meaningful deviation from normality.

### Multicollinearity Test

Table 3. Multicollinearity test results

<b>Coefficients<sup>a</sup></b>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	<i>CSR Performance</i>	.804	1.244
	<i>Firm Size</i>	.804	1.244
	<i>Debt to Assets Ratio</i>	.940	1.064
	<i>Return on Assets</i>	.953	1.049
a. Dependent Variable: <i>Return Saham</i>			

Source: Output SPSS 25 (2025)

Referring to Table 3, all variables exhibit tolerance values greater than 0.10 and VIF values less than 10. This implies that the independent variables can be analyzed together without multicollinearity problems that may distort the estimation of regression coefficients.

### Heteroscedasticity Test

**Table 4. Heteroscedasticity test results**

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.410	2.996		1.472	.143
	<i>CSR Performance</i>	.002	.007	.020	.226	.822
	<i>Firm Size</i>	-.169	.103	-.143	-1.638	.103
	<i>Debt to Assets Ratio</i>	1.993E-5	.007	.000	.003	.998
	<i>Return on Assets</i>	-.072	.110	-.053	-.657	.512

a. Dependent Variable: LN\_RES

Source: *Output SPSS 25 (2025)*

This research applies the park test to assess heteroscedasticity. Since all variables show significance values exceeding 0.05, it can be inferred that the regression model is free from heteroscedasticity problems.

### Autocorrelation Test

**Table 5. Autocorrelation test results**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.809 <sup>a</sup>	.655	.646	1.26771	1.938

a. Predictors: (Constant), *Return on Assets*, *CSR Performance*, *Debt to Assets Ratio*, *Firm Size*

b. Dependent Variable: *Return Saham*

Source: *Output SPSS 25 (2025)*

The autocorrelation test in this study involved four independent variables ( $k = 4$ ) and a total sample of 165 observations ( $n = 165$ ). The calculated  $du$  value was 1.7953. The result shows that  $du < d < 4 - du$ , namely  $1.7953 < 1.938 < 2.2047$ . Therefore, the regression model does not exhibit either positive or negative autocorrelation.

### Hypothesis Testing

#### t-Test (Partial)

Table 6. t-Test Results (Partial) Model 1

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	11.449	1.925		5.947	.000
CSR Performance	.007	.005	.082	1.578	.116
Firm Size	-.137	.066	-.107	-2.071	.040
Debt to Assets Ratio	-.002	.004	-.027	-.564	.574
Return on Assets	-1.228	.071	-.824	-17.316	.000

a. Dependent Variable: Return Saham

Source: Output SPSS 25 (2025)

Table 7. t-Test Results (Partial) Model 2

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	13.537	1.872		7.232	.000		
CSR Performance	.006	.004	.069	1.426	.156	.802	1.247
Firm Size	-.128	.064	-.100	-1.989	.048	.745	1.342
Debt to Assets Ratio	.026	.007	.285	3.545	.001	.290	3.446
Return on Assets	-1.288	.067	-.864	-19.130	.000	.924	1.083
Debt to Equity Ratio	-1.902	.409	-.381	-4.648	.000	.281	3.561
CSR*Z	-.022	.011	-.096	-2.117	.036	.923	1.084

a. Dependent Variable: Return Saham

Source: Output SPSS 25 (2025)

## Discussion

### The Effect of Corporate Social Responsibility (CSR) Performance on Stock Returns

Based on the statistical results, the coefficient value in Table 6 is 0.007 with a significance level of 0.116, indicating that hypothesis 1 (H1) is rejected. From the perspective of signaling theory, CSR is expected to provide a positive image to investors, but the findings of this study do not meet these expectations. Suprpto & Susilo (2020) state that although companies engage in CSR activities, these variables do not significantly impact stock returns. Furthermore, Fathihani et al. (2023) explained that CSR primarily serves as a reputational instrument, and its impact usually requires a longer period to materialize. The researchers stated that in the Indonesian capital market, investors' considerations remain heavily dependent on financial ratios as well as risks related to bankruptcy or weakening financial performance.

### The Effect of Corporate Social Responsibility (CSR) Performance on Stock Returns with Capital Structure as a Moderating Variable

The interaction between CSR performance and DER produces a coefficient of 0.022 with a significance level of 0.036, confirming that hypothesis 2 (H2) is accepted. Based on pecking order theory, firms tend to rely on internal funding rather than external debt due to the higher risks associated with borrowing. Kartika, *et al.*, (2024) found that DER has a negative relationship with stock returns. Similarly, Hasanudin & Awaloedin (2020) suggest that while CSR may improve a company's value, it may not have an impact on stock returns if the company has a high DER ratio.

#### D. CONCLUSION

The overall statistical findings reveal that CSR performance does not significantly influence stock returns. CSR functions as a form of social responsibility that can strengthen a firm's reputation, yet this study indicates that it does not directly translate into higher returns. Meanwhile, capital structure, proxied by DER, is found to intensify the effect of CSR on stock returns, but in a negative way. This means that even if a company has high CSR values, its stock returns may remain low if its debt ratio is high.

#### E. RECOMMENDATIONS

Companies in the basic materials sector are advised not only to focus on implementing CSR as a compliance requirement with government regulations but also to ensure that capital structure is managed optimally. This study was conducted only on one sector, namely basic materials, and within the period of 2019–2024. Therefore, future researchers are encouraged to investigate other sectors or extend the research period. In addition, it is recommended to include variables such as corporate governance, audit quality, and market risk.

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