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The Influence of Corporate Social Responsibility to Stock Return

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Abstract. *The research investigates the impact of Corporate Social Responsibility (CSR) on stock returns in the mining sector of Indonesia. The study examines data from financial reports and annual reports of 37 Indonesian companies listed on the stock exchange between 2017 and 2021. The research measures stock return using various factors, including corporate social responsibility, firm age, firm size, return on equity (ROE), and return on assets (ROA). The results reveal that there is a significant positive relationship between ROA and stock return. However, firm age shows a significant negative relationship with stock return, whereas firm size, ROE, and CSR do not have a significant effect. The research findings contribute to the existing literature by suggesting that in Indonesia, investors do not consider CSR as a key factor when making investment decisions since they are not particularly interested in the CSR activities undertaken by companies.*

Keywords: *Stock Return; Corporate Social Responsibility; Mining Factory.*

Abstrak. *Penelitian ini menyelidiki dampak Tanggung Jawab Sosial Perusahaan (CSR) terhadap pengembalian saham di sektor pertambangan Indonesia. Studi ini menguji data dari laporan keuangan dan laporan tahunan 37 perusahaan Indonesia yang ter-daftar di bursa saham antara tahun 2017 dan 2021. Penelitian mengukur pengembalian saham menggunakan berbagai faktor, termasuk tanggung jawab sosial perusahaan, usia perusahaan, ukuran perusahaan,* return on equity (ROE), *dan* return on assets (ROA). *Hasil penelitian menunjukkan bahwa ada hubungan positif yang signifikan antara ROA dan pengembalian saham. Namun, usia perusahaan menunjukkan hubung-an negatif yang signifikan dengan pengembalian saham, sementara ukuran perusahaan, ROE, dan CSR tidak memiliki efek yang signifikan. Temuan penelitian ini memberikan kontribusi pada literatur yang ada dengan menyarankan bahwa di Indonesia, investor tidak mempertimbangkan CSR sebagai faktor kunci saat membuat keputusan investasi karena mereka tidak begitu tertarik pada kegiatan CSR yang dilakukan oleh perusa-haan.*

Kata kunci: *Stock Return; Corporate Social Responsibility; Mining Factory.*

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BACKGROUND

The advancement of technology has brought new opportunities for profit generation through investment. Investment is a commitment to allocate capital for a specific period with the aim of obtaining future returns (Tambunan, 2020). Over time, investment options have diversified, including investments in property, gold, real estate, stocks, bonds, and other assets. Stocks, in particular, are securities acquired through the purchase of shares issued by companies through Initial Public Offerings (IPOs), which are recorded by the company as evidence of ownership (Hayati, 2010). The value of stocks is influenced by two factors: internal and external. Internal factors pertain to issues arising from within the stock itself, such as company performance and financials, while external factors relate to external events like government policies, climate, and even news and rumors that can impact stock prices (Lubis, 2021).

Stock returns represent the reciprocal relationship between investors who buy and invest in stocks, sell them, and earn profits based on the difference between the selling and buying prices of the stocks (Sibarani et al., 2022). Stock returns can yield profits or losses depending on the choices made by investors. The more profitable a stock, the higher the associated risks, and vice versa (Sibarani et al., 2022). This is because stocks with a healthy track record tend to be more stable compared to new stocks or stocks with a less favorable history.

Corporate Social Responsibility (CSR) arises from a company's awareness of the need to consider long-term solutions rather than focusing solely on immediate profits (Suprapto & Susilo, 2020). Global warming has become a widely discussed issue among companies and society as a whole, leading to the introduction of numerous regulations urging global stakeholders to prioritize the well-being of communities and the environment. Investors have also begun to take an interest in companies that demonstrate social responsibility and contribute to mitigating global warming (唐, 2022).

Precious metals are highly sought after by individuals due to their aesthetic appeal and can even be considered as investment assets due to their rarity, which causes their prices to continually rise over time. However, this poses an environmental challenge, as large mining companies see it as an opportunity and start excavating potentially resource-rich vacant areas. Corporate Social Responsibility (CSR) plays a vital role in company operations (Subrahmanyam, 2015). It has become a prominent aspect embraced and implemented by the majority of large companies worldwide, including those in Indonesia. Virtually all countries globally have incorporated CSR concepts into corporate practices, as companies recognize that the pollution they generate can cause permanent damage to the environment and hinder future company performance (Gupta & Krishnamurti, 2021).

Moreover, openly damaging the environment for mining purposes can severely tarnish a company's reputation. Therefore, companies operating in environmentally impactful industries need to adopt and practice social responsibilities, such as tree planting in other areas, using environmentally friendly machinery, and rehabilitating former mining sites to restore them to green spaces.

THEORETICAL REVIEW

Stocks are a widely pursued form of investment by the public. Stocks not only serve as investments but also represent ownership in a company. When you buy stocks in a company, you become a shareholder in that company (Sausan et al., 2020). With the advancement of technology, investing in stocks has become a preferred option due to the ease of buying and selling shares, which can be done anywhere and anytime with internet access. Stocks also serve as a benchmark for determining a company's value, and thus, a company with a higher value tends to have higher stock prices.

Stock returns refer to the expected gains by investors in the future, relying on the appreciation of stock prices to generate profits from selling shares at a higher price than the purchase price (Nainggolan & Parinduri, 2022). The rise and fall of stock prices can be influenced by both internal and external factors. Internal factors may include company performance, company valuation, debt levels, and corporate social responsibility, while external factors can be inflation, interest rate fluctuations, exchange rates, and others (Widagdo et al., 2020).

Corporate Social Responsibility (CSR) significantly affects stock returns because in the modern era, companies are not only focused on maximizing profits but also strive to fulfill their social responsibilities to remain competitive and win the hearts of the public (唐, 2022). CSR is no longer just a competitive activity among companies; it has become a standard established by governments for all companies to follow in terms of their social responsibilities (Haryanto, 2022). This policy has brought about significant changes for businesses and investors alike. Investors are now increasingly interested in investing in companies that demonstrate strong CSR practices (Murdiono, 2018). This is because investors have become aware that companies that fulfill their social responsibilities not only prioritize profits but also strive to operate consistently for the long term.

RESEARCH METHODS

The research utilizes secondary data obtained from financial reports and annual reports of companies in the mining sector that are publicly listed on the Indonesia Stock Exchange (IDX) during the period from 2017 to 2022. The total number of companies listed on the IDX during this timeframe amounts to 825. Among these, there are 57 companies operating in the mining sector. However, after applying certain criteria, only 37 companies qualified as suitable samples for the study, while the remaining 20 companies were excluded. Thus, the research sample consists of 37 companies, with a total of 185 data points collected over the five-year period.

Table 1. Samples

Information	Total

Companies listed on BEI 2017-2021	57 Companies
Companies that do not meet the criteria	(20 Companies)
Companies that are used as samples	37 Companies
Total sample for 5 year period	185 samples

Table 2. Measurement of Variables

No	Variable Name	Variable Type	Formula
1	Stock Return	Dependent	$\frac{p_{1}-p_{0}}{p_{0}}$
2	Corporate Social Responsibility	Independent	$CSRDSj = \frac{\sum_{t=1}^{nj} Xij}{nj}$
3	Firm Size	Control	$LN(Total\ Assets)$
4	Firm Age	C ontrol	*LN (Age companies from the date listed on Stock Exchange)*
5	ROE	Control	$\frac{Market\ Capitalizion}{Total\ Equity}$
6	ROA	Control	$\frac{Net\ Income}{Total\ Assets}$

RESULTS AND DISCUSSIONS

The research utilizes secondary data obtained from financial reports and annual reports of companies in the mining sector that are publicly listed on the Indonesia Stock Exchange (IDX) during the period from 2017 to 2022. The total number of companies listed on the IDX during this timeframe amounts to 825. Among these, there are 57 companies operating in the mining sector. However, after applying certain criteria, only 37 companies qualified as suitable samples for the study, while the remaining 20 companies were excluded. Thus, the research sample consists of 37 companies, with a total of 185 data points collected over the five-year period.

Based on the correlation test results in the correlation test table above, it shows that the Stock Return variable has a positive relationship with the independent variable, CSR with a value of 0.1093, and two control variables, ROA with a value of 0.1778 and ROE with a value of 0.0276. Meanwhile, another control variable that has a negative relationship with the firm risk taking variable are Firm Size with a value of -0.0907 and Firm Age with a value of -0.1284.

Table 3. Descriptive Statisctics

	N	*Min.*	*Max.*	*Mean*	*Std. Deviation*

StockReturn	180	-.7775	3.340426	.1853233	.5856685
CSR	180	.2083333	.9583333	.6453704	.1687193
ROA	180	-1.538286	1.060299	.5508861	.2095289
ROE	180	-189.861	7.555733	-.9103899	14.19882
FirmSize	180	11.73179	17.68967	14.10259	1.700811
FirmAge	180	.30103	1.724276	1.378039	.2460667

	Stock Return	***CSR***	***ROA***	***ROE***	***FIRMSIZE***	***FIRMAGE***
Stock Return	1.0000					
CSR	0.1093	1.0000				
ROA	0.1778	0.3399	1.0000			
ROE	0.0276	0.1910	-0.0125	1.0000		
FIRMSIZE	-0.0907	-0.1664	-0.1913	-0.0922	1.0000	
FIRMAGE	-0.1284	0.0949	-0.0053	-0.0510	0.4625	1.0000

Dummy Variabel CSR	Obs	Mean	Std. err.	Std. dev.	[95% conf. interval]	
0	86	.0899153	.0481507	.4465309	.0058211	.1856517
1	94	.2726115	.0700942	.6795886	.1334183	.4118047
Combined	180	.1853233	.0436532	.5856685	.0991823	.2714643
diff		-.1826962	.0865614		-.3535147	.0118777

diff =	mean (0) - mean (1)	t =	-2.1106
H0 : diff =	0	Degrees of freedom =	178
Ha : diff < 0	Ha : diff != 0	Ha : diff > 0	
Pr(T < t) = 0.0181	Pr (l T l < l t l) = 0.0362	Pr(T > t) = 0.9819	

	STOCK RETURN
CSR SDA	0.3437
	(1.45)
CSR SDM	0.2319
	(0.96)
CSR SOCIAL	0.2534
CSR PRODUCT/ CONSUMEN	(1.04)
	-0.4619*
	(-1.78)
ROA	
	0.4727*
ROE	(2.16)
	0.0000
FIRM SIZE	(0.05)
	0.0230
FIRM AGE	(0.93)
	-0.2794
Constant	(-1.46)
	-0.2204
	(-0.54)
Adj. R-squared	
Obs.	0.0398

			180
* p<0.10	** p<0.05	*** p<0.01	

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In this study, the researcher added a robustness test by replacing the measure on the independent variable of corporate social responsibility by breaking down into four different section. The results indicate that the proportion of male directors on board is negative significant to firm risk-taking.

CONCLUSIONS AND RECOMMENDATIONS

As we can see from the data, we know that in Indonesia many company already doing a great job at preventing the global warming and sustain their company's activity for a long term by doing Corporate Social Responsibility. However, the companies in Indonesia still not done their best at CSR they only do just a bit of it, that is because investors in Indonesia do not put CSR as their benchmark in investing. They still see the best returns when making investments. Therefore, the company also does not focus too much on CSR actions but rather focuses on profitability. This is very inversely proportional to the case abroad. Because what we know, companies abroad are required to maximize CSR action in every company where the greater the profitability of the company, the CSR action that must be done by the company must also be greater. And investors abroad are also not too mementire profitability as a benchmark for their investments, but through CSR actions that have been carried out by the company. For example, in America banks are vying to do even excessive CSR just to attract the attention of investors (Tasnia et al., 2020). We hope that in the future investors in indonesia will also begin to see the CSR actions of a company is one of the main reasons for investing, so that companies also continue and continue to focus their CSR activities towards a more positive.

Based on previous research on the effect of Corporate Social Responsibility on stock returns. This study took data from mining sector companies with a total of 30 companies that met the research criteria from 2017 to 2021 with a total of 185 samples. There are three variables used in this study, namely stock returns as a dependent variable, Corporate Social Responsibility as an independent variable, and also ROA, ROE, Firm Size, and Firm Age as a control variable.

The test results showed that there are three significant variables, two of which are significantly positive and one of which is significantly negative with the dependent variable of stock returns, namely Corporate Social Responsibility and ROA which is a significant positive variable and Firm Size which is a significant negative variable. While there are two other variables, ROE and Firm Size have no impact on the dependent variable stock returns. So that the hypothesis in this study is in accordance with the results of research where Corporate Social Responsibility has a significant positive effect on stock returns. This study is also similar to the results of research by (Li et al., 2022), (Ullah & Bagh, 2019), (Murdiono, 2018), (Reniati, 2020), (Runtulalu & Atmadja, 2017).

From these results it can be concluded that companies with corporate actions can affect the rate of return on shares because investors see corporate actions as additional points that the company can operate longer (sustainable), this makes investors more interested in investing their shares in the company.

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