

THE INFLUENCE OF PROFITABILITY, FINANCIAL PERFORMANCE, AND CSR-D PRACTICES ON STOCK RETURN

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ABSTRACT

This study aims to analyze the impact of Return on Assets (ROA), Earnings per Share (EPS), and Corporate Social Responsibility Disclosure (CSR-D) on the stock returns of banking companies listed on the Indonesia Stock Exchange (IDX) from 2019-2023. The research employs a quantitative approach with multiple linear regression analysis with the help of microsoft excel 2016 and spss version 27. Data were obtained from the annual financial reports of banking companies from 2019 to 2023. The results indicate that ROA significantly influences stock returns, whereas EPS and CSR-D do not show a significant relationship. Therefore, investors may consider profitability aspects when making investment decisions in the banking sector. This research contributes to the understanding of fundamental factors affecting stock returns and serves as a reference for stakeholders in their investment strategies.

Keywords: *Return on Assets, Earnings per Share, Corporate Social Responsibility Disclosure, Stock Returns.*

1. INTRODUCTION

The economy depends heavily on the capital market as a platform for investments and a source. The banking sector is a central component of the financial system as it is one of the contributors to economic growth and stability. Banks play the role of an intermediary between the capital suppliers and borrowers, mobilizing fund, financing business expansion, and ensuring overall financial stability. Being one of the capital market's key industries, banking institutions are strong influences on the stock market performance and thus are of keen interest among investors seeking high returns. But though promising, the banking sector is subject to high volatility, and investors have to be very cautious in evaluating a number of financial parameters before they can invest.

Stock return is an important way to check how well a bank is doing financially, which is the profit that investors achieve from the change in stock prices. It reflects the profit achieved by investors from the gap between the buying and selling prices of a stock. Stock return is typically seen as a measure of market confidence in the banks' future in the banking sector. Stock return can most often be traced through fundamental financial ratios, such as Return on Assets (ROA) and Earnings Per Share (EPS), which point to the profitability along with the efficiency of utilizing a bank's assets.

One other aspect which has gained attention in recent periods is Corporate Social Responsibility Disclosure (CSR-D) because companies are more likely to have sustainable business practices. CSR-D is also believed to help in building corporate reputation and stakeholder relationships, which may influence investor confidence and stock performance.

The role of CSR-D in stock returns, however, is still inconclusive with mixed empirical evidence across research. This study aims to investigate how ROA, EPS, and CSR-D influence the stock return of Indonesian banking firms listed on the Indonesia Stock Exchange (BEI) during the period 2019-2023. By analyzing the relationship between these financial and non-financial factors, this research provides a deeper understanding of the determinants of stock returns in the banking sector. The findings of this study can help investors make better decisions when choosing banking stocks by identifying key indicators that influence stock performance. Moreover, banks can use this research to enhance their financial strategies and corporate social responsibility practices to attract more investors and maintain long-term business sustainability.

Based on the above, this study aims to investigate how ROA, EPS, and CSR-D influence the stock return of Indonesian banking firms listed on the Indonesia Stock Exchange (BEI) during the period 2019-2023. Using a quantitative approach and multiple linear regression analysis, the research evaluates whether or not the financial and non-financial factors significantly influence the stock return of the Indonesian banking sector. Through an examination of the interconnectedness of profitability, corporate social responsibility, and stock performance, the research seeks to provide insights that will guide investors, financial experts, and banking institutions towards making more informed financial decisions.

Signalling Theory

Signalling Theory highlights the importance of companies providing information as a signal to financial report users. The information given by a company can reflect strategic decisions made to improve performance and maintain competitiveness in the industry. According to Ratnasari et al. (2017), companies must disclose relevant information to reduce information asymmetry between management and investors. Investors in the stock market rely heavily on accurate and transparent financial reports to make investment decisions. Well-disclosed financial information serves as an indicator of a company's past and current financial health, helping investors predict future performance.

Stock Return

Zutter & Smart (2015) define stock return as the profit or loss earned during a specific investment period. It is calculated by comparing the cash distributed during that period, plus any changes in value, to the initial investment amount. In simple terms, stock return refers to the earnings investors receive from their capital invested in the stock market.

Return On Asset

ROA is a way to see how well a company makes profit by using its assets. A higher ROA indicates better company performance, as it means the company is generating profits while minimizing costs. Several studies (Endri et al., 2019; Endri, 2018; Nurhakim et al., 2016; Er & Vuran, 2012) have shown that ROA has a positive impact on stock returns. This means if a company's profitability increases, its stock price tends to rise as well.

Ha1: Return on Asset significantly impacts and has positive effects on Stock Return.

Earning Per Share

Ardiprawiro (2015) and Kumar (2017) define Earnings per Share (EPS) as a ratio that measures management's success in generating profits for shareholders. According to Hery (2015), EPS indicates how well a company provides returns to its investors. A higher EPS value means greater profits for shareholders, increasing the likelihood of higher returns (Darmadji & Fachrudin, 2012).

Ha2: Earning Per Share significantly impacts and has positive effects on Stock Return.

Corporate Social Responsibility-D

CSR activities and disclosures are not only valuable as a long-term social and environmental investment but also contribute to improving corporate performance. According to Bagaskhara (2016), CSR helps maintain business continuity, build a positive corporate image, and strengthen relationships with stakeholders. CSR is based on the principle that a company is responsible not only for economic and legal obligations to shareholders but also for broader social and environmental duties. For investors, CSR serves as proof that a company is not solely focused on profit but also considers its impact on society and the environment (Atikah et al., 2018).

Ha3: Corporate Social Responsibility- D significantly impacts and has positive effects on Stock Return.

2. RESEARCH METHOD

This research applies quantitative descriptive research design. It applies cross-sectional data, particularly secondary data, from banks listed on the IDX that shared their yearly financial reports between 2019-2023. The research used purposive sampling, which is a type of non-random sampling where samples are selected consciously to fulfill certain criteria based on the research objectives is applied by this research. The criteria used for sample selection in this study include:

- 1) Banking institutions listed on IDX between 2019 and 2023.
- 2) Banking institutions that were not delisted from IDX during the same period.
- 3) Banking institutions that consistently published Sustainability Reports from 2019 to 2023.

This research analyzes data from 46 banks publicly traded on IDX between 2019 and 2023. However, based on the established criteria, only 16 banks were selected as the final sample. The data work was done using Microsoft Excel for data organization and cleaning, while SPSS version 27 was used for statistical analysis. This study aims to gain deeper insights into the financial performance of the banking sector in Indonesia and the factors influencing it based on the selected sample. In this research, Financial Performance serves as the dependent variable, which is determined by calculating stock return using the following formula:

$$\text{Return Saham} = \frac{P_t - P_{t-1}}{P_{t-1}}$$

where P_t is the stock price at time t and P_{t-1} is the previous stock price at December 31st

Meanwhile, Corporate social responsibility-D, Return on Asset, Earning Per Share. Each variable is calculated using the following methods:

Return On Asset

The ROA ratio is used to measure how much net profit is generated from every unit of money invested in total assets. This is calculated by dividing net profit by total assets (Hery, 2020). The formula used is:

$$ROA = \frac{\text{Earning After Tax (EAT)}}{\text{Total Assets}}$$

Earning Per Share

According to Husnan (2005:163) in Indah et al. (2017), Earnings Per Share (EPS) is information that shows the amount of net profit attributed to shareholders. EPS represents the company's profit allocated to each outstanding share. The formula used is:

$$EPS = \frac{\text{Earning After Tax (EAT)}}{\text{Total Shares Outstanding}}$$

Corporate Social Responsibility-D

According to Euis Rosidah (2018:224), Corporate Social Responsibility (CSR) refers to a company's social responsibility, emphasizing that an organization, especially a company, has various obligations to fulfill towards all its stakeholders. CSR disclosure is assessed using the Corporate Social Responsibility Disclosure Index (CSRDI), which serves as a measurement tool. The calculation is based on the following formula:

$$CSR_i = \frac{\sum X_{ij}}{n_j}$$

3. RESULTS AND DISCUSSIONS

Table 1. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		80
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.20150075
Most Extreme Differences	Absolute	.129
	Positive	.071
	Negative	-.129
Test Statistic		.129
Asymp. Sig. (2-tailed)		.002 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Based on Ghozali (2016), the Kolmogorov-Smirnov test helps in determining whether data follows a normal distribution. If the significance value is 0.05 or higher, it means the data is normally distributed, meaning it does not significantly deviate from the normal distribution. However, if the significance value is below 0.05, the data is not normally distributed, meaning that its pattern is different from the standard normal distribution. The Asymp. Sig. (2-tailed) is 0.200, which is more than 0.05. Hence, the null hypothesis that says the residuals are normally distributed cannot be rejected because $0.200 > 0.05$. Therefore, this confirms that the normality assumption is met and regression results can be trusted for further use.

Table 2. Multicollinearity Test

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1 Stock Return	-2.069	1.883		-1.099	.276		
ROA	.007	.315	.004	.022	.982	.484	2.065
EPS	.071	.155	.085	.457	.649	.479	2.087
CSR	.096	.185	.067	.517	.607	.985	1.016

a. Dependent Variable: Stock Return

Multicollinearity Test Ghozali (2021:157) the multicollinearity test is used to see whether there is a relationship between independent variables in a regression model. A good model should not have a strong connection between these variables. If multicollinearity is found, it means the independent variables are closely related, which can reduce the reliability and accuracy of the regression results.

Table 3. Heterocedasticity Test

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1 Stock Return	1.005	1.174		.856	.395		
ROA	.118	.196	.111	.600	.551	.484	2.065
EPS	-.023	.097	-.044	-.239	.812	.479	2.087
CSR	-.114	.115	-.129	-.993	.325	.985	1.016

a. Dependent Variable: ABS_RES

Ghozali (2021:178), the heteroscedasticity test examines whether the residual variance is constant across all observations in the regression model. A good model should exhibit homoscedasticity, meaning that variance remains the same. If heteroscedasticity is present, it indicates uneven residual variance, which may affect the reliability of the model. The heteroscedasticity test presented in Table 2 for ROA, EPS, and CSR shows that no variables are significant in this test. Since all Sig. values are greater than 0.05, there is no heteroscedasticity in the regression model.

Table 4. Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.411 ^a	.169	.136	.20544	1.660

a. Predictors: (Constant), CSR, ROA, EPS

b. Dependent Variable: STOCK RETURN

As explained by Ghazali (2021), the autocorrelation is used to find out if there is a connection between error terms over different time periods in a regression model. It determines if errors in the current period (t) are related to the errors in the previous period (t-1). Ideally, a regression model should not have autocorrelation, as it may lead to misleading conclusions. The Durbin-Watson value determined from the autocorrelation test in Table 3 shows that since the Durbin-Watson (DW) value falls between the lower bound (dL) and the upper bound (dU), specifically $1.502 < 1.660 < 1.720$, the autocorrelation test result is in the doubtful (inconclusive) zone.

Table 5. Multiple Linear Regression Test

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	Stock Return	-2.069	1.883		-1.099	.276		
	ROA	.007	.315	.004	.022	.982	.484	2.065
	EPS	.071	.155	.085	.457	.649	.479	2.087
	CSR	.096	.185	.067	.517	.607	.985	1.016
a. Dependent Variable: Stock Return								

Multiple linear regression is a statistical method used to analyze the connection between one dependent variable and two or more independent variables. The technique helps to identify the degree to which each independent variable affects the dependent variable while keeping other variables constant. From the results of the multiple linear regression test, the regression model can be written as follows:

$$FP = -2.069 + 0.007(ROA) + 0.071(EPS) + 0.096 CSR + \epsilon$$

The regression equation indicates that the constant term is -2.069. If the Return On Asset (ROA) Earning Per Share (EPS), Corporate Social Responsibility-D (CSR-D) values are zero, then the resulting expected return value will be -2.069.

Table 6. The coefficient Determination Test

Model Summary ^a					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.411 ^a	.169	.136	.20544	1.660

a. Predictors: (Constant), ROA, EPS, CSR
 b. Dependent Variable: Stock Return

The coefficient of determination (R^2) shows how well the independent variables can explain changes in the dependent variable. A higher R^2 value means the model explains the relationship between variables more clearly. Based on the regression results, the R^2 value is 0.169, which means that about 16.9% of the changes in stock return can be explained by ROA, EPS, and CSR. The rest is caused by other factors that are not included in the model.

Table 7. F Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.329	3	.110	.219	.883 ^b
	Residual	29.561	59	.501		
	Total	29.891	62			

a. Dependent Variable: Stock Return
 b. Predictors: (Constant), ROA, EPS, CSR

The F-test is used in statistics to check if all the independent variables together have a significant effect on the dependent variable. It compares the result of the F-value from the data with the value in the F-table using a 0.05 significance level. If the F-value from the test is higher than the table value, it means the independent variables have a strong effect. The overall importance of the regression model is tested using the F-test in the ANOVA table. In this case, the model is not statistically significant at the 5% level because the F-value is 0.219 and the significance value is 0.883, The regression model is not significant overall. In other words, ROA, EPS, and CSR together do not have a significant effect on Stock Return.

Table 8. T Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Stock Return	-2.069	1.883		-1.099	.276
	ROA	.007	.315	.004	.022	.982
	EPS	.071	.155	.085	.457	.649
	CSR	.096	.185	.067	.517	.607
a. Dependent Variable: Stock Return						

The T-test is used to see how each independent variable affects the dependent variable one by one (Lind, Marchal, & Wathen, 2021). The rule for deciding is as follows: if the significance value is more than 0.05, the hypothesis is rejected. But if the significance value is less than 0.05, the hypothesis is accepted. Since all variables have a significance value greater than 0.05, it means that none of the independent variables has a significant influence on Stock Return.

4. CONCLUSIONS AND SUGGESTIONS

This study concludes that ROA, EPS, and CSR-D do not have any significant effect on stock returns in the Indonesian banking sector. This suggests that stock price movements in this sector are driven by other factors other than profitability and corporate social responsibility. Based on these findings, the following recommendations can be drawn. For banking organizations, profitability needs to be balanced with financial solidity, risk handling, and adherence to regulation because these are probably more important to investor confidence building. Greater disclosure in financial reports and corporate management would also aid in attracting investors. To investors, in other words, this study suggests that it may not be wise to make an investment decision in the banking sector using ROA, EPS, or CSR-D alone. Instead, investors need to consider external market conditions, interest rate trends, and overall financial health while making an assessment of bank stocks. For future studies, it is suggested to include other financial and non-financial variables, including capital adequacy, loan-to-deposit ratio, credit risk, and macroeconomic variables, to gain a better insight into stock return determinants. Increasing the sample size and including a longer time period may also provide more insights into stock performance patterns. The findings of this study have some important implications. For investors, improved knowledge of the relationship among financial performance, CSR disclosure, and stock returns can help in making investment decisions. The banking organizations can use the findings to promote financial transparency and corporate social responsibility initiatives towards fostering investor confidence.

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