DINASTI INTERNATIONAL JOURNAL OF MANAGEMENT SCIENCE (DIJMS)
E-ISSN : 2686-522X
P-ISSN : 2686-5211
https://dinastipub.org/DIJMS dinasti.info@gmail.com +62 811 7404 455

DOI: https://doi.org/10.31933/dijms.v5i3
Received: December 4th, 2023, **Revised:** December 17th, 2023, **Publish:** January 4th, 2024

Does Profitability Mediate the Influence of Corporate Social Responsibility on Stock Prices in ESG Leading Firms in Indonesia?

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Abstract: This research aims to analyze whether profitability mediates the influence of corporate social responsibility on stock prices in ESG Leading firms in Indonesia. The sample for this study is 14 companies listed in IDXESGL during 2020–2022. In this quantitative study, path analysis of data panels using Eviews 12. The study's findings suggest that CSR and ROA have a significant influence on stock prices. However, ROA is not influenced by CSR, and ROA cannot act as a mediator for CSR in influencing stock prices. The study's findings provide businesses and stakeholders with insight that CSR is a long-term initiative that will eventually help both businesses and society.

Keywords: Stock Prices, CSR, ROA, IDX ESG Leaders

INTRODUCTION

The way stakeholders evaluate a company's performance changes as the modern business environment does. Businesses were once judged solely on their profits, but these days, their operational impact on the environment is also taken into consideration (Suhartoko & Perwiro, 2023). The increasing complexity of social issues has affected these changes, which have actually impacted on how the public views companies and how companies modify their business practices, particularly those that are publicly traded. As per The Indonesia Act No. 40 of 2007, publicly traded companies are those that conduct initial public offerings on the stock market. Through a public offering, they invited investors to purchase stock, but prior to doing so, investors will assess all available information and obtain signals from companies through their interactions (Freeman, 1984). Business interactions must now take environmental, social, and governance (ESG) factors into account (Mulyono, 2023).

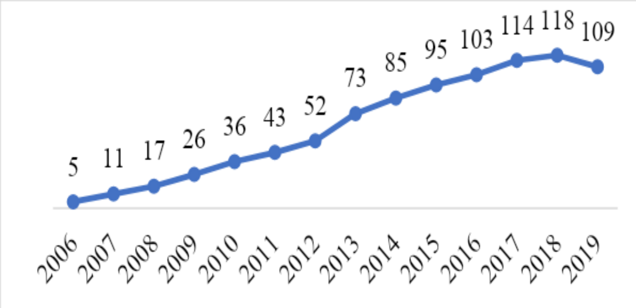
ESG is a sustainable business and investment concept that prioritizes environmental, social, and governance aspects. With the United Nations, this term has gained popularity since 2004, as reported in "Who Cares Wins: Connecting the Financing Market to a Changing World." The UN said that considering ESG factors when making investment decisions will promote stability and be a crucial consideration for investors (United Nations, 2004). According to a survey conducted by PricewaterhouseCoopers (PwC) (2021) among 325 investors worldwide, approximately 79% of participants concur that a company's handling of ESG risks and opportunities plays an important role in their decision to invest, and 76% agreed that a company's exposure to ESG is being used to screen potential investments. Thus, the survey also led Indonesia to prioritize ESG implementation, and according to PricewaterhouseCoopers (2021), the Indonesian government is taking the initiative to create a sustainable transformation that aligns with UN objectives. This is also due to a rise in the number of investors and ESG investment trend in Indonesia. Comparing 2020 to 2019, there was a 56.21% increase in local and foreign investors according to single investor identification (SID) (Kustodian Sentral Efek Indonesia (KSEI), 2022). For the ESG investment trend, in comparison to 2019, which was IDR 1.776 trillion, the asset under management increased by 14 ESG ETFs, reaching IDR 3.062 trillion in 2020.

The Indonesia Stock Exchange released the IDX ESG Leaders (IDXESGL) index at the close of 2020. This index tracks the price performance of stocks that lead in ESG, do not have significant controversies, have high trading liquidity, and have good financial performance (Indonesia Stock Exchange, 2020). Yuliato Aji Sadono, the secretary of the Indonesian Stock Exchange, stated through CNBC Indonesia 2020 that IDXESGL is an expression of IDX's commitment to advancing sustainable investment through ESG ever since IDX joined the United Nations Sustainable Stock Exchange (SSE). The index constituents are selected with the help of sustainalytics in rating their ESG risk. This index has attract investors, according to PricewaterhouseCoopers (PwC) (2023), there has been a 3.08% increase in the stock performance of IDXESGL from year to year throughout 2022, and according to Kontan (2022) IDX predicts that the performance of ESG Leaders index will increase. This is due to the fact that IDXESGL gives companies a competitive advantage, particularly in the eyes of investors who consider ESG factors. Tamara & Budiman (2022) claimed that when making decisions, investors look at companies that are included in the ESG index.

Tannia et al. (2020) said that shares are an indication of an individual's or organization's capital participation in a company. Investing in the stock of ESG Leaders allows investors to effectively contribute in the ESG aspects. In addition, supply and demand have an impact on stocks, which suggests that stock price reflects the perception of investors. Because of this, stock price is now one of the key metrics used to assess possible investments (Brigham & Houston, 2019). As ESG factors increased, investors influencing stock prices began to consider social responsibility (Almeyda & Darmansyah, 2019). They also stated that Blomberg uses CSR disclosure in annual reports as a means of assessing a company's ESG. This indicates that CSR and ESG go hand in hand.

Corporate social responsibility refers to an organization's commitment to the community in which it operates. The foundation for companies' CSR disclosure arrangements is based Global Reporting Initiatives, a globally recognised standard that companies use to communicate with stakeholders. Bowen (2013) states, a business's decision will affect the nation's social and economic. This suggests that CSR is a dialogue about business decisions with stakeholders.

The concept of corporate social responsibility is based on "The Triple Bottom Line," which states that businesses must prioritize profit, people, and planet in order to survive (Elkington, 1998). This concept has led Indonesia in authorized The Public Traded Companies Act no. 40 provison 74 regarding CSR disclosure. Gunawan et al. (2022) found that CSR disclosure was first started in 2006 and kept increasing to 2019 by sensitive and non-sensitive industry companies, as shown in Figure 1.



Source: Gunawan et al. (2022)

Figure 1. CSR Disclosure Trend in Indonesia

The reason for the rise in CSR transparency is that businesses believe it will improve their reputation with investors. Legitimacy theory explains that investors assess a company before making a decision, which encourages them to adopt these practices (Chowdhury et al., 2020). Investors believe that through encouraging CSR, businesses can sustain and develop positive sentiment in the stock market, which will impact stock prices. This is due to investor beliefs that businesses care about the environment and society alongside making a profit (Arviana & Wibisono, 2023).

Apart from CSR, investors are also likely to take fundamental analysis into account when evaluating stock prices. Investors will thoroughly assess the financial performance of the company in this regard by using the report. (Nyaman & Miftah, 2022). It is because financial performance indicates a company's ability for resource allocation, investors can use it to forecast both future performance and investment potential (Hasan Hafidzi & Qomariah, 2020). According to this claim, financial ratios are crucial in determining a company's performance because they represent an increase or a decrease in performance (Brigham & Houston, 2019). An important ratio to consider is the profitability ratio, as it indicates a company's capacity to meet its responsibilities and future prospects (Ardimas & Wardoyo, 2014). Kusuma (2021) then argued, ROA as a profitability ratio considered as a relevant indicator that can forecast future investment potential. According to Prihadi (2019), ROA is a ratio that takes asset management into account. In other words, return on assets has the potential to encourage long-term investment, particularly for those who prioritize profitability as a means of influencing stock prices.

The main goal of the company in increasing profitability is to draw in more investors. ESG businesses need to take social responsibility into account when determining ROA. According to Dewi (2015), companies have to maintain a positive reputation through CSR. in order to legitimize their products and services and increase revenue. (Hasan Hafidzi & Qomariah, 2022) states that CSR is known to be a method of enhancing company value. This also indicates that a business can not only rely on financial benefits but also has to contribute to non-financial factors, because higher customer trust is followed by higher sales (Jallo et al., 2017). Contrastly, (Angela et al., 2021)states that CSR does not significantly affect ROA.

According to Arius et al. (2023), higher ROA, the better the performance. Government Regulation No. 47 of 2012 mandates that publicly traded companies allocate between 2%-3% of their net income annually to social and environmental responsibility (Silalahi et al., 2019). In this matter, the greater the CSR will indicate, the better the company's profitability will be. This is a sign to an investor that a company has good potential and, in the end, impacts their decision to invest in its stock. As a result, the greater the CSR disclosure from the company, the higher share prices will result from better operational performance (Fathony et al., 2020). This indicates that there is an indirect influence of CSR on stock prices through ROA (Abrar & Siddiqui, 2020). In contrast to research from Yuniawati (2023) that ROA can not mediate the influence of CSR on stock prices. Systematic literature by (Barauskaite & Streimikiene,

2021) states that the influence of CSR on competitiveness still requires further research. Therefore, this study aims to examine whether profitability mediates the influence of corporate social responsibility on stock prices in ESG Leading firms in Indonesia?.
Referring to the introduction, the problems of this research are formulated as follows:
a) Is there a significant influence of CSR on stock prices for ESG Leading firms in Indonesia?
b) Is there a significant influence of CSR on ROA for ESG Leading firms in Indonesia?
c) Is there a significant influence of ROA on stock prices for ESG Leading firms in Indonesia?
d) Is there a significant influence of CSR on stock prices through ROA for ESG Leading firms in Indonesia?

RESEARCH METHODS

This study used a quantitative approach to investigate the relationship between CSR disclosure and stock prices performance through profitability for firms listed on the Indonesia Stock Exchange (IDX) during the 2020–2022 period. This study used secondary data such as published works, financial reports, annual reports, and sustainability reports. Information from IDX, Yahoo Finance, and official company websites is accessed in the process of gathering data. The study's population consists of 30 companies that are listed on the IDX and are included in the IDX ESG Leaders (IDXESGL) index. 10 companies were removed from the index evaluation, and 6 companies failed to disclose their CSR activities in their annual or sustainability reports using the GRI standard during the study period. As a result, 14 companies were used as the final sample size for the analysis.

A dummy variable is used to measure the CSR variable. It is computed by dividing the disclosed items by the total number of 91 items. ROA is used to measure profitability since it is an appropriate profitability ratio for determining potential for investment (Kusuma, 2021). Stock prices are measured by the difference between the five-day average closing prices after and before the release of financial reports and then divided by the five-day average closing prices prior to the announcement. The five-day selection is intended to reduce the influence of bias from other factors that affect stock prices, so changes in stock prices are assumed to be due to internal factors such as net income (Hasan Hafidzi & Qomariah, 2020). The study uses panel data analysis with Eviews 12 as the data management tool. Path analysis is used in this study to ascertain the direct and indirect influences. The models are developed as follows: $ROA = \alpha + \beta_1 CSR + e$ (model 1); $Stock\ Prices = \alpha + \beta_1 CSR + \beta_2 ROA + e$ (model 2).

RESULT AND DISCUSSION

The Stakeholder Theory

The stakeholder theory, according to Freeman (1984), is a framework that takes into account every group or individual with interests and the ability to influence or be influenced by the objectives of a business entity. Meanwhile, Ningsih et al. (2022) stated that stakeholders are entities with vested interests in a company who play an important role in assisting the organization in meeting its business objectives. Hence, companies are required to fulfill their responsibility by considering both internal and those in the surrounding environment (Pradani & Widiasmara 2021). Freeman et al. (2010) then divided stakeholders into two categories, "primary stakeholders" and "secondary stakeholders." They stated that if the goal of creating value for primary stakeholders is met, secondary stakeholders are likely to be satisfied as well. Based on the preceding, it is possible to conclude that stakeholders are parties who are critical to the achievement of the company's goals.

The Legitimacy Theory

Legitimacy theory is based on the idea that, in order to survive, a business must act within the boundaries defined by society (O'Donovan, 2002). Through legitimacy, a business is seen as fulfilling a "social contract" with the community (Shakil, 2020). Legitimacy has drawn more attention and led organizations to implement social responsibility initiatives (Chowdhury et al., 2020). If a business isn't responsible for its surroundings, its legitimacy will be at risk (Akhter et al., 2022). According to the arguments, in order to survive, a business needs to act responsibly to maintain its legitimacy and have an influence on the community.

The Signaling Theory

Signaling theory is the way that the management of a business organization informs investors about the company's prospects (Ningsih et al., 2022). Morris (1987) stated that a company can communicate with its stakeholders by sending out a financial or annual report, which allows stakeholders to assess the firm's performance. Apart from financial performance, stakeholders can also discern a signal from a company by looking at how transparently the company discloses its responsibility (Chowdhury et al., 2020). Freeman et al. (2010) then stated that every form of "company signal" creates value for the company because it's considered as being responsible. As concluded, the theory of signals is how companies inform their prospects through financial and non-financial disclosures.

Hypothesis Development

These days, a company has an intangible contract with society in which, in addition to its corporate goal of making a profit, it also has social responsibility (O'Donovan, 2002). According to Akhter et al. (2022) a company's legitimacy is at risk if it is not responsible, which motivates them to disclose their corporate social responsibility (CSR) (Chowdhury et al., 2020). CSR refers to an organization's pledge to support sustainable development aimed at improving the community (Utomo, 2019). Matten (2015) then argued that in order for a company with shareholders to thrive in the community, they must offer the greatest possible benefit, because they control the supply and demand for its stock (Pradani & Widiasmara, 2021). Research conducted by Luo & Lusmeida (2019), Buchory (2019) and Hasan Hafidzi & Qomariah (2020) states that CSR has significantly affect stock prices, while research by Sembiring et al. (2023) and Fathony et al. (2020) states that CSR does not significantly affect stock price or stock return.

Apart from stock prices, companies must consider their financial performance to create a competitive advantage. ROA is a profitability ratio that evaluates how well a company manages its assets to produce profit (Prihadi, 2019). These days, society takes corporate social responsibility into account (Jallo et al., 2017). A business can build a positive reputation for its goods and services and win over more customers by engaging in corporate social responsibility (Pamungkas & Winarsih, 2020). Numerous studies have examined the impact of CSR on ROA, Hasan Hafidzi & Qomariah (2022), (Syamni et al. (2018) and Kaur & Singh (2021) have found a significant relationship between CSR and ROA. These studies contradict those of Dewi (2015), Angela et al., (2021) and Erari & Nurjanah (2021) who discovered no significant impact between CSR and ROA.

When deciding to invest, investors should take profitability ratios into account when evaluating a business (Susilo et al., 2019). Investors that are long-term oriented can evaluate an investment's potential using return on assets (ROA) (Kusuma, 2021). This indicates that ROA has an impact on stock prices. Research done by Candy & Yeria (2022), Hasan Hafidzi & Qomariah, (2020) and Utomo (2019), found that ROA can significantly affect stock prices and stock returns. Contradictory, (Buchory, 2019) and (Sembiring et al., 2023) stated that ROA is insignificant with stock prices.

Based on certain literature, ROA could mediate the impact of CSR on stock prices. It's because CSR can help a company create value and improve its financial performance in the future (Hasan Hafidzi & Qomariah, 2022). Jallo et al. (2017) argued that through CSR, a customer's legitimacy and loyalty to a company's goods and services could increase profit, which would encourage investors to consider it when making an investment (Fathony et al., 2020). Several studies, including (Abrar & Siddiqui, 2020) and Hasan Hafidzi & Qomariah (2020) addressed the significant impact of CSR on stock prices through ROA. However, studies conducted by Runtulalu & Atmadja (2017) and Yuniawati (2023) discovered that ROA is unable to mediate the impact between CSR and stock prices.

Referring to the background, the problems of this research are formulated as follows:

a) CSR significantly influences stock prices (H1).
b) CSR significantly influences ROA (H2).
c) ROA significantly influences stock prices (H3).

CSR significantly influences stock prices through ROA (H4).

Descriptive Statistics

Table 1 displays the results of statistical calculations from 14 companies. The average stock price is 0.005374, meaning that there was a 0.54% change in the stock price of ESG Leading firms during 2020 to 2022. The highest value of stock price was 12.20% by AKR Corporindo Tbk. (AKRA) in 2022, indicating a rise in stock price following the release of the financial statements. The lowest value is -7.68% by XL Axiata Tbk (EXCL) in 2020. The average CSR value is 29.98%, and the maximum value was 64.84%, or 59 items, recorded by AKRA in 2021, while the lowest value was 15.38%, or 14 items, recorded by Surya Citra Media Tbk. (SCMA). The average value of the ROA variable is 6.9%. In 2020, Unilever Indonesia Tbk. (UNVR) achieved the highest value of 34.89%, while Jasa Marga (Persero) Tbk. (JSMR) recorded the lowest value of -0.04%.

Table 1. Descriptive Statistics Results for Each Variable

Detail	Stock	CSR	ROA
Mean	0.005374	0.299843	0.069025
Max	0.121951	0.648352	0.348851
Min	-0.076792	0.153846	-0.000400

Source: Eviews 12 Output Results (2023)

Hypothesis Test Result

The output result of the direct influence using eviews is displayed in Table 2. The probability value of CSR on ROA is 0.2999, which is greater than 5% of the significant level. According to this, it is not possible to accept Hypothesis 2, which claims that CSR significantly influences ROA. The direct test of CSR's impact on stock prices produced a probability value of 0.0002, which is less than 0.05. Hypothesis 1, which states that CSR significantly influences stock prices, is accepted. The probability value of ROA on stock prices is 0.0027, which is less than 0.05, and hypothesis 3, which states that ROA significantly influences stock prices, is accepted.

Table 2. Direct Influences Between Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSR – ROA	-0.048006	0.045710	-1.050244	0.2999
CSR – Stock Prices	0.313786	0.072924	4.302935	0.0002
ROA – Stock Prices	0.977023	0.295213	3.309555	0.0027

Source: Eviews 12 Output Results (2023)

Figure 2 shows the output result of CSR's indirect impact on stock prices through ROA using Quantpsy. Looking down to the Sobel test's p-value of 0.3168, which is higher than a 5% significance level, it is not possible to accept hypothesis 4, which claims that CSR significantly influences stock prices through ROA. The direct test above indicates that the direct influence of CSR on stock prices has a coefficient value of 0.3138, which is higher than the indirect influence (ab) through ROA at -0.0469.

	Input:		Test statistic:	Std. Error:	*p*-value:
a	-0.048006	Sobel test:	-1.00103622	0.04685441	0.3168093
b	0.977023	Aroian test:	-0.96193673	0.04875889	0.33608139
s_a	0.045710	Goodman test:	-1.04532707	0.04486918	0.29587183
s_b	0.295213	Reset all	Calculate		

Source: Sobel Test Calculator Quantpsy Output Result (2023)

Figure 2. Indirect Influence of CSR Toward Stock Prices Through ROA

Discussion

The Influence of CSR on ROA

Based on the result of Eviews output above, it appears that CSR does not significantly affect ROA by looking at the probability value of 0.2999, which is greater than 5% error level. Theoretically, Dewi (2015) stated that CSR plays an important role in enhancing a company's credibility and image, which in turn boosts sales of its goods and services (Pradani & Widiasmara, 2021). According to stakeholder theory, if a company maximizes its value, they can have a significant impact on the company (Fiori et al., 2015).

This research did not support the hypothesis that CSR significantly affects ROA because the average value of CSR disclosure was only 29.98%, which indicates that the company did not maximize the value to its stakeholders. Furthermore, the reason the result did not match the theory was that the majority of the companies did not disclose a sub-category of product responsibility optimally in their reports. For example, XL Axiata Tbk (EXCL) reported a 19.78% CSR disclosure rate and a 1.77% ROA in 2021. But in 2022, the ROA fell to 1.28%, even with a higher CSR disclosure rate of 43.96%. This example shows that increased CSR does not always translate into higher financial performance if it is not in line with creating value for stakeholders. Keleş et al. (2023) also explained that a company must consider its business operations when planning its CSR activities.

Another factor that makes the impact of CSR on ROA insignificant is that CSR is considered an additional cost for the business, which is consistent with research by Fatah & Haryanto (2016) and Angela et al. (2021), who found that because CSR reduces profitability, it has no significant effect on ROA. Zetta et al. (2021) also stated that in Indonesia, regulations regarding the CSR fund haven't been clearly defined, so it has caused many perceptions in the community.

Even though ESG leading companies receive a negative signal for their profitability, these companies still disclose CSR because they want to practice sustainable investing, which is also IDX's primary objective in creating this index. It is also because companies consider CSR to be a long-term investment. Angela et al. (2021), through their research, explained that CSR has no significant impact on ROA due to the long-term effects of those two variables. They mentioned that things like human management disclosure could affect company performance in the future. This research's findings are also consistent with Dewi (2015), Pratiwi et al. (2020) and Erari & Nurjanah (2021). This study’s finding was in contrast with result conducted by Syamni et al. (2018), Hasan Hafidzi & Qomariah (2020), Almeyda & Darmansyah (2019), Tanggamani et al. (2022) and K.aur & Singh (2021).

The Influence of CSR on Stock Prices

According to Eviews output result, it appears that CSR has significantly affected stock prices by looking at the probability value of 0.0002, which is less than 5% error level. This research supports the stakeholder theory, which emphasizes how a firm's disclosures and goals may have an impact on stakeholders (Freeman, 1984). This finding was in line with research conducted by Pradani & Widiasmara (2021), who found that CSR significantly affects stock prices because investors are in control of the company's stock prices due to the disclosure of CSR. Hasan Hafidzi & Qomariah (2020) also stated that CSR that is publicly announced affects stock prices because the company takes this into account in developing interactive relationships with stakeholders (Lawrence & Weber, 2020). According to legitimacy theory, a company will be at risk if it does not have social responsibility (Akhter et al., 2022). Chowdhury et al. (2020) argued that, through legitimacy, investors saw the signal given by the company image that is disclosed in their reports. This statement was in line with research by Buchory, (2019) who stated that CSR has significantly affected stock prices.

According to the descriptive statistics, AKR Corporindo Tbk. (AKRA) had the highest CSR value in 2022, at 65%. As per the 2022 MNC Sekuritas Equity Report, AKRA has emerged as one of the best companies in ESG implementation. One of their initiatives was the installation of 764 solar panels in JIIPE, which will save 484 kWh and reduce CO2 production by 452kg annually. Due to that initiative, AKRA was able to remain in the index and attract more investors, as evidenced by the highest share prices on the statistical result, which is 12%. The annual effect also indicates that CSR significantly affects stock prices because there is a long-term outlook for the company. According to Yuniawati (2023), CSR significantly affects stock prices because investors can be reassured of the company's long-term viability. This is also consistent with IDX ESG Leaders' main goal, which is to promote sustainable investing.

A similar literature discussing the significant influence between CSR and stock price includes research by Jizi et al. (2016), Luo & Lusmeida (2019) and Chiu et al. (2020). But this finding was not in line with research conducted by Utomo (2019), Sembiring et al. (2023), and Fathony et al. (2020).

The Influence of ROA on Stock Prices

The output of testing the hypothesis using eviews shows that ROA has significantly affected stock prices by looking at the probability value of 0.0027, which is less than 0.05 error level. Return on asset is a financial ratio that measures the profitability of the company based on asset management (Prihadi, 2019). Arius et al. (2023) stated that the greater the ROA, the greater the company's performance. Nyaman & Miftah (2022) argued that investors consider financial performance to comprehensively evaluate a company's performance. This finding strengthens the research conducted by Fathony et al. (2020) that found a positive and significant effect on ROA in stock prices, as evidenced by the coefficient value of 0.9770. Through their research, it was argued that ROA could raise demand for company stock and turn into one of the most significant investment decisions because investors look to ROA to maximize their return.

This result was consistent with the signal theory, which explained the impact of ROA on stock prices. ROA serves as a signal to stakeholders regarding the internal performance of the company (Morris, 1987). According to research by Hasan Hafidzi & Qomariah (2022) ROA has an impact on stock return, which stated that the higher a company's profitability, the more superior it is at generating income, and the more investors trust its stock. For example, according to the data for the 2020–2022 period, Unilever Indonesia Tbk. (UNVR) has ROA values of 35%, 30%, and 29%, and the stock prices value is at 2%, -3%, and -6%. Thereby confirming the signal theory that links the stock's investor reaction to a decline in ROA performance. According to Kompas (2022), the prolonged Covid-19 pandemic and the national and international economic recession were the main causes of Unilever's decline in net sales. Kompas stated that the drop in stock prices was caused by this decline.

According to Kusuma (2021) investors who use ROA in their fundamental analysis are regarded as long-term investors since this ratio is thought to be able to predict future investment opportunities. This indicates that ROA has the ability to encourage long-term investment of investors. This argument aligned with Candy & Yeria (2022) findings that ROA had a significant impact on stock returns, because increased ROA over the long term is something investors would consider, as it increases investment sustainability and provides dividend payment certainty. Research by Hasan Hafidzi & Qomariah (2020) and Luo & Lusmeida (2019) states that ROA affects stock prices. Contrastly, research by Buchory (2019) and Sembiring et al. (2023) showed that ROA has no significant impact on stock prices.

The Influence of CSR on Stock Prices Mediated by ROA

The output result of the Sobel test using Quantpsy shows that CSR has not significantly affected stock prices through ROA by looking at the p-value of 0.3168, which is greater than the 0.05 error level. Furthermore, compared to the indirect effect of -0.0469, the direct effect of CSR on stock prices is larger at 0.3138, suggesting that the direct impact of CSR on stock prices is greater than the indirect impact through ROA.

These results are consistent with research by Yuniawati (2023), who found that there was no significant impact of CSR on stock prices through ROA, because the role of ROA as a mediator is viewed as unimportant. This is due to the fact that investors directly responded to the CSR disclosure, which in turn affected stock prices. Febriyanti et al. (2022) argued that social responsibility is a long-term initiative, meaning its impact on financial performance cannot be observed immediately. However, because CSR is still relevant in light of stakeholder theory, investors will directly respond to a company's market value.

As was previously discussed, both CSR or ROA had a direct impact on stock prices. However, since CSR had no significant effect on ROA, ROA had no role in mediating the impact of CSR on stock prices. This statement was supported by Runtulalu & Atmadja (2017), who claimed that ROA could not be an intermediary variable. On the other hand, research conducted by Hasan Hafidzi & Qomariah (2020) (2022), Abrar & Siddiqui (2020), and Thuy et al. (2021) explained that ROA could mediate the impact of CSR on a company’s stock.

CONCLUSION

The findings of this study indicate that CSR has no significant influences on ROA. This is due to the fact that businesses do not always disclose CSR information that is relevant to their business practices. Additionally, investors had a negative opinion of CSR because they believed it would incur costs. This may be the result of the lack of a clear definition of CSR, which has made investors have different views about CSR. This is also because CSR is a long-term initiative, meaning that benefits are not realized right away. Companies should continue planning and executing CSR initiatives that will pay off in the long run. Businesses must also assess their CSR policies. To provide a more precise definition, investors and society have to understand the function and advantages of CSR.

Additionally, this study shows that CSR and ROA have a direct influence on stock prices. Since investors have the power to influence stock prices, they receive a legitimate signal from a company regarding its CSR and ROA performance. Furthermore, since CSR and ROA are measures of a company's performance in the long run, investors will probably feel secure about the sustainability of the business, which helps predict possible investments in the future. This suggests that in order for a company to earn trust, it needs to improve its CSR and ROA performance, in addition to increasing transparency to investors. Also, by including stakeholders in CSR planning, the business could enhance its CSR. Additionally, the business could improve asset management in order to achieve better performance.

Furthermore, this study shows that ROA cannot act as a mediator between CSR and its influence on stock prices because CSR has a direct impact on stock prices even though its impact on financial performance is not immediate. This implies that in order to directly impact investors and receive long-term benefits, businesses must continuously improve their CSR disclosure. Additionally, since the ESG Leaders Index is a sustainable investment, investors need to take their long-term objectives into account when making decisions. Further research is expected to utilize other variables and anticipate longer research periods.

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