

The Effect of Financial Performance on Stock Price with Disclosure of Corporate Social Responsibility as a Moderation in Infrastructure Companies

ABSTRACT

The aim of this research is to analyze the effect of return on assets and current ratio on stock prices which is moderated by the disclosure of corporate social responsibility. The population in this study are all Infrastructure Sector Companies listed on the Indonesia. Stock Exchange for the 2016 - 2020 period. Sampling in this study used a purposive sampling method with criteria as (1) Conventional banking companies that are go public and registered with the Financial Services Authority (OJK). for the period 2016 - 2020. The data needed in this study was taken from the Indonesian Capital Market Directory (ICMD) 2016-2020. The data collection method used in this study is the documentation method. The statistical test was carried out using the t test and multiple linear regression analysis, previously the classical assumption test was carried out. The results of this study indicate that: the current ratio and disclosure of corporate social responsibility have a positive effect on stock prices, while the current ratio has no effect on stock prices. disclosure of corporate social responsibility is not able to moderate the return on assets but is able to strengthen the effect of return on assets on stock prices.

Keywords: Current ratio; return on asset; corporate social responsibility disclosure; stock price.

1. INTRODUCTION

Investors definitely crave a stable stock price and continue to increase. This means that the company is running smoothly and is showing good progress in its efforts to prosper the owners of capital [1]. However, this situation is very difficult for companies to do. Rising and falling stock prices cannot be entirely managed and regulated by the company alone.

The ups and downs of stock prices can be seen in one of the infrastructure sector companies. Based on Bloomberg data, as of February 17 2020, PT Indosat Tbk's share price fell by 5.48 percent or 115 points to a level of IDR 1,985 per share. From the news circulating, the decline in share prices was known to be due to selling by foreign investors. Not long ago, the company's management carried out a workforce restructuring which resulted in the decision to lay off 677 of its employees [2].

Return On Assets (ROA) is to see how effective the profits are generated through investment in assets invested in a company [3]. "ROA is obtained by comparing net profit after tax with total assets" [4]. Return on Assets (ROA) describes how the assets invested can generate profits effectively and efficiently. By increasing the return on assets, the company is able to generate better profits. ROA also has a close relationship with returns from assets invested in a company. Thus, the measurement of these assets can be seen from the company's ability to generate profits. Research produced by Darmawan and Astuti [5]. regarding "the effect of return on assets (ROA) on stock prices shows that ROA has a positive influence on stock prices". This is different from research produced by Junaeni [6] which gives "the result that ROA has no effect on stock prices".

The current ratio (CR) is a comparison to describe a company's capability in paying off current liabilities or current liabilities that must be paid immediately when billed as a whole. So it can be concluded how much current assets can cover current debts that have short maturities [3]. Lambogia et al. [7] and Nurlela [8] conducted research showing that "the current ratio does not have a significant effect on stock prices, this is not in line with the research of Batubara and Purnama [9] which results that the current ratio has a significant positive effect on stock price".

Corporate social responsibility (CSR) is a program that must be implemented by a company based on Law no. 40/2007 in article 74 concerning Limited Liability Companies [10] which provides rules regarding social and environmental responsibility. Limited liability companies that carry out business activities in the field of or related to natural resources, based on this regulation, must carry out a corporate social responsibility program. Corporate social responsibility (CSR) is an idea in which a company does not only focus on financial responsibility, but is also responsible for the triple bottom line, namely finance, social and

environment. Corporate social responsibility (CSR) in a company applies to stakeholders which include employees, customers, suppliers, investors, government and competitors. Utomo [11] in research shows that "Corporate social responsibility (CSR) has no significant effect on stock prices". Unlike Anggraini [12], "it gives the opposite result, namely CSR has a positive effect on stock prices".

Based on this background, the aim of scientific writing is to provide an overview of how financial performance influences stock prices by disclosing corporate social responsibility as a moderator in infrastructure companies. Based on the background above, the formulation of the problem in this study is as follows:

1. Does return on assets affect stock prices?
2. Does the current ratio affect stock prices?
3. Does disclosure of corporate social responsibility affect stock prices?
4. Is the disclosure of corporate social responsibility capable of mediating the relationship between return on assets and current ratio on stock prices?

2. LITERATUR

2.1 Stock Price

Stock prices can be formed through the method of supply and demand in the capital market. If a stock experiences an increase in demand, then the stock price will tend to increase. Conversely, if a stock experiences an increase in supply, then the share price will tend to decrease. The share price is obtained based on the closing price after the publication of the financial statements [12].

2.2 Return on Assets

Return on assets is a ratio that describes effectiveness in generating returns on invested assets [13]. The following is the formula for calculating Return On Assets:

$$ROA = \frac{\text{Net Income}}{\text{Total Asset}}$$

2.3 Current Ratio

The current ratio is an illustration of how current assets can cover current debt [3]. Here is the formula for calculating the Current ratio:

$$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

2.4 Corporate Social Responsibility

According to the Limited Liability Company Law No. 40 of 2007 Article 1 Paragraph 3, social and environmental responsibility is a company's commitment to participate in sustainable economic development in order to improve the quality of life and a beneficial environment, both for the company concerned, the local community, and also society. Corporate Social Responsibility is a company's responsibility to fulfill obligations to the surrounding environment [9;14].

3. METHODS

In this study, the population taken was all Infrastructure sector companies that were listed on the Indonesia Stock Exchange (IDX) from 2016-2020. While the sample used is purposive sampling where the sample taken is based on certain considerations.

In this research the data used is an annual time series from 2016 – 2020. The data was collected using the documentation method from various research sources and financial report data for

infrastructure sector companies on the Indonesia Stock Exchange during the 2016-2020 period. This research is in the form of quantitative data using secondary data. While the analysis technique used is multiple linear analysis.

4. RESULTS AND DISCUSSION

4.1 Description of Research Data

These descriptive statistics consist of a minimum, maximum, mean and standard deviation resulting from Table 1 for the following variables:

1. Return on assets has a maximum value of -60.03% at PT. First Media Tbk in 2018, while the maximum value is 17.99% at PT Cardig Aero Services Tbk in 2016. The average value is 2.1587, and the standard deviation value is 9.33269. This indicates that the variable Return on assets is not normally distributed, because the standard deviation is greater than the average value of the variable.
2. The current ratio has a minimum value of 2.72 times at PT First Media Tbk in 2020, while a maximum of 428.6 times at PT Paramita Bangun Sarana Tbk. The average value is 125.8243. While the standard deviation value is 86.23718. This indicates that the liquidity variable is normally distributed, because the standard deviation value is smaller than the average variable value.
3. Corporate Social Responsibility has a minimum value of 3% at PT ICTSI Jasa Prima Tbk. 2016 – 2019 and a maximum value of 51% at PT Surya Semesta Internusa Tbk in 2020 while the average value is 0.1690. While the standard deviation value is 0.07224. This indicates that the Corporate Social Responsibility variable is normally distributed, because the standard deviation value is smaller than the average value of the variable.
4. The share price has a minimum value of IDR 50 at PT Smartfren Telecom Tbk (2016), PT Nusa Construction Enjiniring Tbk (2018 and 2019) and PT ICTSI Jasa Prima Tbk (2019) while the maximum value is IDR 8,500 at PT Inti Bangun Sejahtera Tbk in 2017 and an average value of 1732.7533. While the standard deviation value is 1943.55450. This indicates that the Company Value variable is normally distributed, because the

standard deviation value is smaller than the average value of the variable.

Based on Table 2 it can be seen that the coefficient of determination R square is worth 0.199 which if converted into a percentage shows that 19.9% of the stock price variable is influenced by return on assets, current ratio and corporate social responsibility, while the remainder is 89.1 % is influenced by other variables outside this model.

From Table 2 in the F significance test it is shown that all independent variables as a whole can explain significantly the dependent variable (stock price). In accordance with the results of the research hypothesis which states that between variables have a relationship to the dependent variable, it requires multiple linear regression to create an analysis model.

4.1.1 The effect of return on assets on stock prices

From the results of the t statistical test in Table 2, it shows that the return on assets has a positive t count of 0.225 with a probability of 0.822 which is greater than the significance level (0.05), meaning that the return on assets does not affect stock prices.

The results of this study are supported by Sunaryo [15] who explains that return on assets does not affect stock prices. So this illustrates that a large return on assets does not make a good indication for investors to invest, because this illustrates that the company has not been able to optimize all of its resources and assets in the process of earning profits. So that it can affect the decline in investor interest and share prices have decreased.

4.1.2 The effect of the current ratio on stock prices

Table 2 shows that the current ratio has a t count of 2.934 and a probability of 0.004, where the significance level is less than 0.05, meaning the current ratio has a positive effect on stock prices.

This research results that the current ratio has a positive effect on stock prices. A company needs large funds for the production process as well as buying assets that support the production process. In addition to using its own funds, companies can provide funding from debt sources. Funding from debt can be in the form of short, medium or long term debt. The company

Table 1. descriptive statistics

Descriptive statistics					
	N	Minimum	Maximum	Mean	Std. deviation
ROA	150	-60,03	17,99	2,1587	9,33269
CR	150	2,72	428,60	125,8243	86,23718
CSR	150	,03	,51	,1690	,07224
PRICE	150	50,00	8500,00	1732,7533	1943,55450
Valid N (listwise)	150				

Table 2. The results of the model suitability test

Coefficients ^a						
Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. error	Beta		
1	(Constant)	-47,262	32,440		-1,457	,148
	ROA	2,187	9,701	,102	,225	,822
	CR	6,279	2,140	1,142	2,934	,004
	CSR	270,536	83,780	1,003	3,229	,002
	ROA*CSR	-,321	23,247	-,006	-,014	,989
	CR*CSR	21,626	5,932	1,635	3,646	,000

a. Dependent Variable: PRICE_Y
F Test = 0.000
R Square = 0,199

must manage its current assets so that the current liabilities of the company are met. With high current assets, the company will easily settle its current liabilities. Companies that have a high level of liquidity or current ratio cause stock prices to tend to increase.

The results of this study are in accordance with those carried out by Batubara and Purnama [9] where the current ratio has a positive effect on stock prices.

4.1.3 The effect of disclosure of corporate social responsibility on stock prices

The results of the t test in Table 2 show that the disclosure of corporate social responsibility has a positive t count of 2.533 with a probability value of 0.12 where the significance level is less than 0.05 indicating that the disclosure of corporate social responsibility has a significant positive effect on stock prices.

In the research it was found that the disclosure of corporate social responsibility has a significant influence on stock prices. Disclosure of corporate social responsibility is influential because the many social and environmental responsibility programs disclosed by these companies can influence investors in investing because they tend to choose companies that have business ethics and good work practices and care about

the environment and stakeholders. Therefore, this study can illustrate that stakeholders, especially investors, calculate and consider the behavior and disclosure aspects of corporate social responsibility in investment decisions.

The results of this study are in line with the opinion of Anggraini [12] which provides that the results of corporate social responsibility disclosure have a positive effect on stock prices.

4.1.4 Disclosure of corporate social responsibility is able to moderate the return on assets on stock prices

From the results of the t statistical test in Table 2, it shows that corporate social responsibility is unable to moderate the return on assets on stock prices because it has a positive t count of -0.014 with a probability of 0.989 which is greater than the significance level (0.05).

The results of this study are in line with the results of Bintara's research [14] which states that corporate social responsibility is not able to moderate the relationship between return on assets and stock returns. This shows that the allocation of costs for carrying out corporate social responsibility activities is still very small because corporate social responsibility is still voluntary so it does not have a significant impact on increasing return on assets. So that the

existence of corporate social responsibility does not provide a significant attraction to investors' decisions in investing. Therefore, corporate social responsibility is not able to moderate the relationship between ROA and stock returns.

4.1.5 Disclosure of corporate social responsibility is able to moderate the current ratio to stock prices

From the results of the t statistical test in Table 2 shows that corporate social responsibility is able to moderate the current ratio to stock prices because it has a positive t count of 3.646 with a probability of 0.000 which is smaller than the significance level (0.05).

In this study, CSR performance is added as a moderating variable for the relationship between financial performance and firm value on stock

5. CONCLUSIONS, IMPLICATIONS, LIMITATIONS OF THE RESEARCH

5.1 Conclusion

Based on the results of the analysis and discussion that has been carried out, the following conclusions can be drawn:

1. Return on assets has no effect on stock prices.
2. Current ratio and disclosure of corporate social responsibility have a positive and significant effect on stock prices.
3. Disclosure of corporate social responsibility cannot moderate return on assets, but can strengthen the effect of the current ratio on stock prices.

5.2 Implications

For future researchers, it is recommended to use more samples with more diverse characteristics from various industrial sectors and extend the research period.

5.3 Research Limitations

This research uses a few variables and the time limit is only up to 2016 - 2020, it is better for further research to add other independent variables that also affect company value, as well as increase the research time.

price performance. Through CSR activities the company will obtain many benefits such as increasing sales and market share, strengthening brand positioning, improving corporate image, and increasing investor attractiveness [16].

Logically, the implementation of CSR will certainly require costs. Therefore, if the company is able to pay for CSR activities, the company is also able to meet its short-term needs, where short-term obligations are obligations that must be paid off by the company immediately. Companies that are able to pay off their short-term obligations are companies that have good financial performance. That way investors and potential investors will be interested in buying company shares, so that the company's stock price increases. The increase in stock prices will also increase stock returns.

COMPETING INTERESTS

Author has declared that no competing interests exist.

REFERENCES

Please mention ref [12-22] inside the text

1. Rohmah R, Muslich M, Rahadi DR. The effect of investment decisions, funding decisions and financial performance on stock prices. *Journal of Entrepreneurship, Accounting, and Management*. 2018;1(1):1-12.
2. Ulfah, Finna U. After the layoffs of 677 employees, Indosat shares (ISAT) plummeted; 2020. Available:market.bisnis.com: <https://bisnis.com>.
3. Kasmir. 2019. *Financial Statement Analysis*. First Edition. Twelfth Printing. PT Raja Grafindo Persada. Jakarta.
4. Wiratna SV. *Financial statement analysis: Theory, application, & research results*. Yogyakarta: New Press Library; 2017.
5. Rachmad Darmawan, Desti Sri Astuti. Pengaruh Return On Asset Dan Inventory Turnover Terhadap Harga Saham. *The Asia Pacific Journal of Management Studies*. 2016;3(3).
6. Junaeni I. The Influence of EVA, ROA, DER and TATO on Stock Prices in Food and Beverage Companies on the IDX. *Owner: Accounting Research and Journal*. 2017;1(2):32-47.
7. Lambogia AJG, Vista C, Dini S. The effect of current ratio, debt to equity ratio, net

- profit margin, and company size on stock prices in automotive and component companies listed on the IDX in 2013-2017. *Jesya (Journal of Economics & Sharia Economics)*. 2020;3(1):158–173. DOI:<https://doi.org/10.36778/jesya.v3i1.138>
8. Nurlela. Analysis of the effect of liquidity, leverage, and profitability ratio on stock price (Study of Pharmaceutical Subsector Companies on the Indonesia Stock Exchange Period 2011–2015). *2017;5(2):466–480*.
 9. Hade Chandra Batubara, Nadia Ika Purnama. The effect of current ratio, return on equity on stock prices in manufacturing companies listed on the Indonesia Stock Exchange. *Journal of Business Financial Research*. 2018;2(2): 61-70.
 10. Law no. 40/2007 in article 74 concerning Limited Liability Companies.
 11. Agus Setyo Utomo. The effect of CSR, ROI, ROE on stock prices in manufacturing companies listed on the indonesia stock exchange. *Map Journal*. 2019;4(January 1): 2019:82-94.
 12. Luthfia Farida Anggraini. Effect of financial performance, company size, disclosure of Corporate Social Responsibility (CSR) on stock prices. *Global Journal of Management and Business Research: Administration and Management*. 2019;19(8):Version 1.0 Year 2019.
 13. Rieke Pernamasari, Sugiyanto. The effect of earnings management and profitability on stock prices future: information asymmetry as moderating. *Asian Journal of Economics, Business and Accounting*. 2022;22(16): 9-16.
 14. Bintara, Rista. The effect of financial performance on stock returns with corporate social responsibility as a moderating variable. *TECH Journal*. 2015;6(2).
 15. Deni Sunaryo. The Effect of Net Profit Margin, Return on Assets, Return on Equity on Share Prices in The Southeast Asian Metal Industry. *International Journal of Science, Technology & Management*. 2020;1(3).
 16. Cheng M, Christianawan YJ. Effect of disclosure of corporate social responsibility on abnormal return. *Journal of Accounting and Finance*. 2011;2(13):24-36.
-