Corporate Social Responsibility (CSR) Disclosure and Stock Price Reaction

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Abstract

This research aims to investigate the impact of CSR disclosure on share prices, mediated by profitability. This research uses a quantitative method and gathering secondary data from OSIRIS and Company Sustainability Reports on the Indonesia Stock Exchange (BEI) website, as well as relevant company websites. This study's sample consists of 99 mining companies from 2018 to 2022. To determine the indirect effect of the mediating variable, this study used multiple regression analysis using the IBM SPSS and the Sobel test. The findings show that CSR Disclosure has no significant effect on share prices due to the low proportion of CSR disclosures in the company's sustainability report. Meanwhile, CSR Disclosure has a significant negative effect on profitability, and profitability has a significant positive effect on share prices. Profitability can mediate the relationship between CSR Disclosure and share prices.

Keywords: Corporate Social Responsibility (CSR), CSR Disclosure, Profitability, Share Price

Introduction

In Indonesia, Law No. 40 of 2007 governs Corporate Social Responsibility (CSR), also known as Social and Environmental Responsibility (TJSL). Article 1 Paragraph 3 of the Law defines social and environmental responsibility as a company's obligation to participate in sustainable economic development with the goal of improving the quality of life and the natural environment, thus helping the company, local communities, and the public. Companies disclosse CSR in sustainability reports in accordance with GRI (Global Reporting Initiative) standards, which include descriptions of performance, impacts, and mitigation in economic, social, and environmental aspects, in order to provide a complete picture of the company's situation, including in the annual report, specifically in the "Corporate Social Responsibility" section (Suidarma and Adryas, 2022). The preparation of this report corresponds to OJK Regulation No. 51/POJK.03/2017 and is integrated with worldwide standards, specifically the GRI Standards.

All businesses, particularly mining companies, ought to have a CSR program in existence. Mining activities have a direct impact on the surrounding environment; thus, mining corporations must be accountable for environmental management, community development, and reclamation after mining (Wijaya, 2023). Economic, environmental, and social indicators governed by GRI Standards are critical in assessing financial disclosure, environmental consequences, and corporate social activities (Mujiyono & Dananti, 2021). A higher level of disclosure in all of these areas has the potential to improve the firm's financial performance, provide a favorable signal to stakeholders, and boost public trust and investor interest in the organization (Mujiyono & Dananti, 2021). This concept is consistent with signaling theory, which points out how companies should send positive signals to stakeholders by revealing transparency in social and environmental performance, in order to ensure the company's reports, become more reliable, resulting in a positive response to investment decisions to buy shares in the company. (Krisnamurti & Adiwibowo, 2017). A company's success is commonly assessed by favorable financial performance, such as earnings and company growth; however, sustainability features are also key indicators of company success (Sjamsi et al., 2017).

Previous researchers have conducted study on the determinants that influence stock prices, utilizing a variety of independent variables such as CSR disclosure, profitability, leverage, firm size, and age, among others. However, existing research shows certain discrepancies in research findings. Aji (2015) conducted research on the shares of manufacturing businesses listed on the IDX, and found that CSR has a favorable effect on share prices. In line with this, Hamdani (2014); Sjamsi et al. (2017); Mujiyono & Dananti (2021); and Ranto et al. (2021) demonstrate that CSR disclosure has a significant relationship with share prices, implying that it has the ability to raise the company's share price. In contrast to these findings, research by Veronica (2013); Fiori et al. (2015); Arimbawa & Wirakusuma (2016); Krisnamurti & Adiwibowo (2017); Anggraini et al. (2020); and Sholihah & Susilo (2021) demonstrates that CSR has no substantial effect on corporate share prices. Research by Kim et al (2014), Hao et al (2018), Thuy et al (2021), and Su & Zhou (2023) demonstrates that there is a significant negative effect between CSR and the risk of falling stock prices. Several contradictions in the results of previous study were discovered based on the findings of several studies discussed above.

This study aims to investigate into the effect of CSR disclosure on the share price reaction as mediated by profitability. The main contributions to this study are that researchers developed the previous research of Sjamsi et al. (2017) and Krisnamurti & Adiwibowo (2017) especially for measuring stock price reactions. This study also introduces a novel mediating variable, namely profitability, to investigate the indirect impact of CSR disclosure on stock prices. In addition, this study employs GRI Standards as an index for assessing CSR disclosure. This study used Indonesian mining businesses listed on the Indonesia Stock Exchange from 2018 to 2022.

This study utilizes quantitative methodologies, utilizing data sourced from the OSIRIS database and business sustainability reports available on the Indonesian Stock Exchange and company websites. The research population includes of mining companies listed on the IDX from 2018 to 2022. The sample was chosen using a purposive sampling technique based on inclusion criteria for sustainability reports and CSR disclosures. The independent variable is share price, the dependent variable is CSR Disclosure (CSRD), and the mediating variable is Profitability (ROA), with control factors being Company Size (SIZE), Company Age (AGE), Leverage (LEV), and Covid. The data was analyzed using IBM SPSS Version 26, which included statistical descriptions, t tests, F tests, path analysis, and the Sobel test to examine the mediation effect.

The findings show that CSR Disclosure (CSRD) has no significant effect on share prices (HS) in mining companies listed on the IDX from 2018 to 2022. CSR Disclosure (CSRD) has a significant negative impact on Profitability (ROA). Profitability (ROA) has a positive impact on share prices (HS). In the context of mediation, profitability (ROA) has been shown to mediate the relationship between CSR disclosure (CSRD) and share prices (HS). These findings provide more information regarding the relevance of CSR disclosure, profitability, and other aspects in n impacting both corporate value and the dynamics of the interaction between these variables. The findings of this study would help associated parties such as firm management, investors, regulators, and other stakeholders make more informed decisions about corporate social responsibility and its impact on share value.

This research is organized as follows. Section 1 provides introduction, followed by section 2 presents literature review and hypothesis development, whereas the research methodology is explained in Section 3. In Section 4, the empirical results are presented and discussed, while the last section provides the conclusions and suggestions for future research

Literature Review and Hypothesis Development

Stakeholder Theory

According to Stakeholder Theory, a firm must deliver benefits to stakeholders in addition to its own interests. This theory views the corporation's function as more than just maximizing shareholder welfare; it also considers the welfare of other groups associated with the organization (Fiori et al., 2015). This theory also takes into account the well-being of various groups associated with the organization, such as owners, investors, employees, consumers, suppliers, authorities, local communities, and other groups (Fiori et al., 2015). In accordance with stakeholder theory, addressing social and environmental performance in company reports may assist enhance stakeholder satisfaction. Companies may attract stakeholder support by giving information about their social and environmental performance (Krisnamurti and Adiwibowo, 2017). As a result, CSR disclosure can be a powerful tool for harmonizing the interests of shareholders, businesses, and stakeholders. By addressing and balancing claims from multiple stakeholders, management can improve corporate efficiency and add value (Fiori et al., 2015).

Signalling Theory

Signaling Theory clarifies the reason why corporations provide information about themselves in annual reports to external parties (Krisnamurti and Adiwibowo, 2017). This theory should demonstrate how a corporation offers information in the form of signals regarding what management has accomplished to protect the company's interests (Suidarma & Adryas, 2022). This theory attempts to foresee the company's future performance (Sholihah and Susilo, 2021). This theory also explains how organizations ought to convey positive signals to stakeholders (Krisnamurti & Adiwibowo, 2017). When a firm publicly publishes its social and environmental performance, its financial reports become more dependable, allowing for a positive response to investment decisions, such as purchasing stock in the company (Krisnamurti & Adiwibowo, 2017).

Literature Review

Hao et al. (2018) investigated the impact of CSR on the risk of declining stock prices and how it relates to the role of internal control in China. This study analyzes sample data from Chinese A-share businesses registered on the Shanghai and Shenzhen stock exchanges between 2009 and 2015. The findings indicate a significant negative link between CSR and the probability of decreasing share prices.

Thuy et al.'s (2021) research produced similar results. This study covers a sample of 225 businesses registered on the Vietnam Stock Exchange between 2014 and 2019. This study investigates how CSR disclosure influences the probability of declining share prices and whether corporate performance serves as a mediating component in this relationship. Return on Assets (ROA) is a metric used to assess company performance. The CSR disclosure index was created using content analysis and GRI criteria. The study's findings indicate that CSR disclosure has a negative impact on the chance of declining share prices for Vietnam's listed companies.

Kim et al. (2014) study whether corporate social responsibility (CSR) reduces or increases to the risk of decreasing share prices. These data lend weight to the idea that CSR can reduce the risk of decreasing stock prices. The study discovered that a company's CSR performance was negatively associated to the probability of dropping share prices in the future. Furthermore, when companies have less effective corporate governance or smaller levels of institutional ownership, CSR's risk-mitigating influence on share price declines will be stronger. The findings of this study support the assumption that companies who actively engage in CSR avoid unfavorable news hoarding behavior, lowering the probability of declining stock prices.

Su and Zhou (2023) also did research on CSR disclosure. This study looks into the relationship between corporate social responsibility (CSR) and the probability of stock price declines, as well as the moderating effects in various contexts. The population used is made up of enterprises listed in China between 2010 and 2019. The empirical findings of this study suggest that CSR constraints on bad news hoarding behavior can lower the likelihood of stock price declines.

Another study conducted by Sholihah and Susilo (2021) examined the population of property businesses listed on the Indonesia Stock Exchange between 2018 and 2020. This study examined the impact of financial success, company size, and CSR on company share prices. The study found that financial performance (ROE), firm size (SIZE), and Corporate Social Responsibility (CSR) have no impact on stock prices.

Sjamsi et al. (2017) discovered different results in their research, which showed that Corporate Social Responsibility (CSR) disclosure in annual reports, including environmental monitoring costs, product monitoring costs, welfare costs, and community costs, had an effect on the company's share price. This study's sample includes all companies that were continuously listed on the IDX from 2009 to 2013, a total of eight companies. The research findings also indicate that CSR disclosure has an impact on company earnings. Company profits do not influence the company's share price, nor do profits mediate the impact of CSR disclosure in the annual report on share prices.

Hypotheses Development

According to stakeholder theory, releasing social and environmental performance in business financial reports can help to increase stakeholder satisfaction. Shareholders require CSR disclosure information about the company's environmental hazards in order to forecast future costs and generate more accurate performance estimates (Krisnamurti and Adiwibowo, 2017). Increasing firm performance contributes to increased public trust and profitability, which can attract more investors and raise the company's share price, according to the supply and demand concept in economics (Aji, 2015). The Global Reporting Initiative (GRI) regulates economic, environmental, and social indicators, which are significant for monitoring company disclosure of financial aspects, environmental consequences, and social behaviors. Improved disclosure in all of these areas can boost financial performance, public trust, and investor interest in the company (Mujiyono & Dananti, 2021). According to signaling theory, a corporation should send favorable signals to investors. CSR disclosure provides a favorable signal to the market and investors. Thus, increasing firm CSR disclosure might pique investors' interest in investing, potentially raising share prices. This assertion is consistent with the findings of research undertaken by Hamdani (2014), Aji (2015), Sjamsi et al (2017), Mujiyono & Dananti (2021), Ranto et al (2021), and Suidarma & Adryas (2022), which suggest that CSR disclosure has a positive association with a company's share price. Based on this description, the first hypothesis is formulated as:

H1: CSR Disclosure has a positive effect on share prices CSR disclosures are intended to meet the expectations and satisfaction of numerous stakeholders having an interest in the firm, including employees, customers, society, and the environment. Companies that disclose CSR can improve their image in the perspective of stakeholders, influencing customer loyalty and eventually increasing

profitability (Aji, 2015; Sjamsi et al., 2017). Effective CSR policies can help businesses manage risks, improve operational sustainability, and ultimately increase profitability.
CSR actions can boost a company's Return on Assets (ROA) since responsive CSR disclosure management is influenced by the company's profitability (PW, Cornelia, & Lako, 2018). Management that prioritizes social and environmental issues can increase the company's financial performance (PW, Cornelia, & Lako, 2018; Sjamsi et al., 2017). Accordingly, the second hypothesis is:
H2: CSR Disclosure has a positive effect on profitability CSR programs included in business reports contribute to a positive company image. Companies primarily pursue economic goals; however, they also help to improve community welfare, safeguard the environment, and address future difficulties and natural resource issues. According to Sjamsi et al. (2017), this also helps to boost corporate profitability. PW, Cornelia, and Lako's (2018) research used Return on Assets (ROA) to quantify profitability. The degree of ROA is closely tied to the ability of a company's management to properly manage its assets and make profits. The higher the ROA, the better the company's capacity to optimize its assets and generate more revenues.As a result, it draws investors, who benefit from higher payouts. Increased investor interest boosts corporate share prices and good stock returns (PW, Cornelia & Lako, 2018). ROA, as a measure of efficiency in managing assets to create profits, becomes crucial to the concept of profit, which is evaluated positively by investors. This is consistent with signaling theory. Research by Ramdiani & Yadnyana (2013), Hao et al (2018), Revita (2018), and Su & Zhou (2023) supports the conclusion that ROA has a considerable positive effect on stock prices. Accordingly, the third hypothesis is:
H3: Profitability has a positive effect on share prices As stated by Thuy et al (2021), the effect of CSR disclosure on the likelihood of dropping in stock prices is a complex relationship and not necessarily linear, requiring a comprehensive approach. Through firm performance, CSR disclosure can indirectly influence the risk of a share price decrease. CSR disclosure can reduce risk by improving transparency and discouraging the concealment of unfavorable information. This can also benefit firm performance by meeting shareholder expectations. In this situation, profitability serves as a mediator in accordance with agency theory, affecting how management operates the organization. Previous research supports the use of profitability as a mediator. Thuy et al. (2021) found that when ROA is employed as a mediator, CSR disclosure has a more negative impact on the chance of declining share prices. When corporations reveal more CSR information, the danger of stock price declines is greatly reduced. In other words, CSR disclosure has a beneficial impact on the company's share price, and this effect is amplified when the profitability component (ROA) is utilized to mediate the relationship. Accordingly, the fourth hypothesis is:
H4: Profitability mediates the relationship between CSR Disclosure and share price

Research Methodology

Data Source

This research is based on secondary and time series data. Secondary data is data received indirectly, such as from written sources (Hardani et al., 2020). Secondary data for this study was gathered from a variety of sources, including information contained in business sustainability reports published on the Indonesia Stock Exchange website (www.idx.co.id), OSIRIS, and the company website. Time series data is data acquired at specific time intervals and arranged chronologically (Hardani et al., 2020). This study employs time series data to display stock price information on the Yahoo Finance website.

Population and Sample

This research includes all mining businesses listed on the Indonesia Stock Exchange from 2018 to 2022. The population of mining firms is used because it is intimately tied to the use of natural resources and CSR requirements, as well as the environmental impact of mining activities. This study employed a purposive sampling strategy with the following criteria:

1. Mining businesses have registered with the IDX for the 2018-2022.
2. Mining businesses that issue sustainability reports for the 2018-2022 period.
3. Mining businesses that employ GRI Standards in their CSR disclosures in sustainability reports for the years 2018–2022.

   After meeting the criteria, this study has final sample of 99 firm year observation.

Empirical Model

The empirical model used to test the hypothesis is shown by the following equation:

$$ROA = \alpha + \beta_1 \, CSRD + \beta_2 \, SIZE + \beta_3 \, AGE + \beta_4 \, LEV + \beta_5 \, COVID + e_2$$

$$SP \;\; = \alpha + \beta_1 \, CSRD + \beta_2 \, ROA + \beta_3 \, SIZE + \beta_4 \, AGE + \beta_5 \, LEV + \beta_6 \, COVID + e_2$$

Operational Definition of Variables

Corporate Social Responsibility Disclosure (CSRD)

To assess CSR disclosure variables, generally used disclosure standards are employed, namely the GRI's reporting standards. CSR disclosure indicators based on GRI Standards were established in 2016, thus organizations must transition to adopting these standards for CSR disclosure. GRI Standards include 136 CSR disclosure indicators (Maulana, 2023), and each firm will be graded based on the number of CSR disclosures provided in its sustainability report, with a score of 1 if it discloses and 0 if it does not. The greatest score is 136, while the lowest score is zero.

Share Price (SP)

The share price is the present value of the future cash flows that shareholders will get in exchange for their ownership of a company (Prastiwi & Maslichah, 2019). This research measures share prices at the closing price of the firm being researched in the second quarter of the following year, expanding on previous studies by Krisnamurti and Adiwibowo (2017) that used first quarter.

Return on Assets (ROA)

Profitability is a measure of a company's ability to make profits (Prastiwi and Maslichah, 2019). Return on Assets (ROA) is a metric used to measure profitability measured by net income divided by total assets. A high ROA demonstrates the company's ability to make profits while managing all operational and non-operational costs, which has the potential to boost the company's share price (Ramdiani and Yadnyana, 2013).

Company Size (SIZE)

The company's size, as reflected in its total assets, can impact the increase in share prices. SIZE is calculated by LN (Total Assets).

Company Age (AGE)

According to Kusuma and Aryani (2020), the company age is computed by subtracting the year of observation from the year it was established. According to Kusuma and Aryani (2020), the longer the company exists, the higher its performance. Good firm performance tends to raise a company's share price. Company age = year of observation - year of establishment.

Leverage (LEV)

Leverage is a ratio that measures how much of a company's capabilities is financed through debt. This study employs the financial leverage formula, which is total debt divided by total firm assets, as previously stated by Ambarwati and Dara (2022).

COVID-19

The COVID-19 measurement uses a dummy variable, score 0 for the 2018-2019 period (pre-COVID) and score 1 for the 2020-2022 period (post-COVID).

Data Analysis

This study's data analysis included descriptive statistical analysis, Pearson correlation analysis, and the multiple linear regression approach. This study's data analysis is carried out using statistical techniques such as IBM SPSS Version 26. The technical data analysis included the classical assumption test, the t test, path analysis, and Sobel mediation test.

According to Baron and Kenny's (1986), perfect mediation (full mediation) occurs when the independent variable has no direct impact on the dependent variable after passing through the mediating variable. On the other hand, partial mediation occurs when the independent variable's influence on the dependent variable remains considerable after passing through the mediator.

Results and Discussion

Descriptive Statistics

This research data has been already free from classical assumption test. Table 1 present descriptive statistics for this variable. Share Price (SP) has a mean value of 2731.8182 and a standard deviation of 2731.8182. The selected companies' share prices range from 47.00 to 38,000.00. The CSR Disclosure (CSRD) has a mean of 0.4448898 and a standard deviation of 0.15337702. The smallest CSR disclosure value for the sample firms is 0.05882, while the maximum value is 0.75000. The Profitability Variable's (ROA) average value is 0.0604432, with a standard deviation of 0.07717204. The smallest ROA value for the example company is -0.09839, while the maximum value is 0.28531.

Table 1. Descriptive Statistics

	N	Min	Maximum	Mean	Std. Deviation
SP	99	47.00	38000.00	2731.8182	6287.38675
CSRD	99	0.05882	0.75000	0.4448898	0.15337702
ROA	99	-0.09839	0.28531	0.0604432	0.07717204
SIZE	99	25.78128	32.76456	30.4088621	1.21995415
AGE	99	6	103	36.45	20.361
LEV	99	0.04803	0.96131	0.4796167	0.22231859
COVID	99	0	1	0.72	0.453
Valid N (listwise)	99				

Hypothesis Testing

The hypothesis testing is presented in Table 2,3,4.

Table 2. Regression Result Model 1

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.341	0.186		-1.837	0.069
	CSRD	-0.136	0.052	-0.271	-2.635	0.010
	SIZE	0.015	0.006	0.237	2.339	0.021
	AGE	0.001	0.000	0.278	2.688	0.009
	LEV	-0.103	0.035	-0.297	-2.991	0.004
	COVID	0.025	0.016	0.149	1.624	0.108

Dependent Variable: ROA

Based on table 2, the adjusted R square is 18,8%. CSRD variable has a significant value of 0.010 < 0.05, indicating a negative B value. So, **H2 is rejected**. Accordingly, CSRD has a significant negative impact on ROA. The findings of control variables show that SIZE, AGE has a positive impact on ROA. However, LEV has a negative impact on ROA. Lastly, COVID has an insignificant effect on ROA.

Table 3 presents the regression results for model 2 with the adjusted R square is 32,1%. Accordingly, CSRD shows a significance value of 0.652 > 0.05, with a negative B value. Therefore, **H1 is rejected**, means that CSRD has no effect on share price. Meanwhile, ROA shows a significance value of 0.001 < 0.05, with a positive B value. Thus, **H3 is accepted** means that ROA has a significant positive effect on share price.

Path Analysis

Path analysis is used to calculate the value of CSR disclosure's direct influence on stock prices as well as the value of the indirect influence path, which runs from CSR disclosure to ROA and finally to share prices. The path value is an unstandardized beta value that can be determined from the regression results.

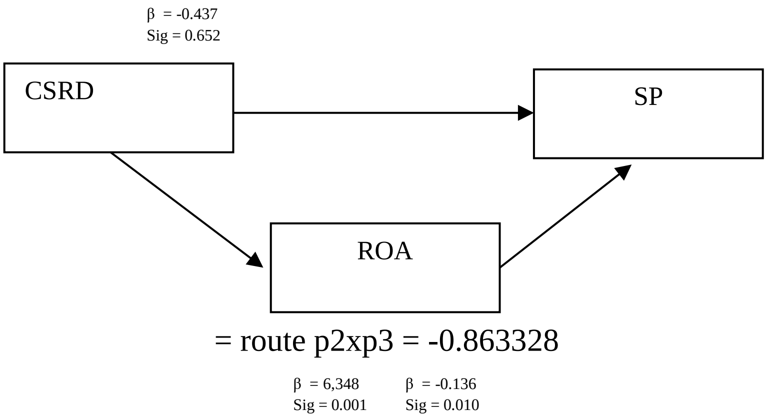
Table 3. Regression Result Model 2

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	-8.144	3.410		-2.388	0.019
	CSRD	-0.437	0.966	-0.044	-0.452	0.652
	ROA	6.348	1.871	0.322	3.393	0.001
	SIZE	0.527	0.119	0.422	4.440	0.000
	AGE	-0.006	0.007	-0.074	-0.757	0.451
	LEV	-2.290	0.652	-0.334	-3.514	0.001
	COVID	-0.057	0.286	-0.017	-0.200	0.842

Dependent variable: Share Price

Table 2 displays the path value for the CSRD to ROA relationship, whereas Table 2 presents the path value for the ROA to share price. The final findings of the CSRD to ROA path regression (table 2) show an unstandardized beta CSRD to ROA value of -0.136, which is the p2 path value. According to the regression analysis results (table 3), the unstandardized beta value for CSRD on Share price is -0.437, which is the p1 path value indicating a direct effect, and the unstandardized beta value for ROA on Share

price is 6.348, which is the p3 path value. Based on these path values, the entire influence of CSRD on HS via ROA is calculated as shown below.
The direct effect of CSRD on share price
= path p1 = -0.437.
Indirect effect from CSRD to ROA to Share price



= route p2xp3 = -0.863328

Source: researcher, 2023

Table 4 reveals that the statistical test has a value of -2.071 and a p-value of 0.038 < 0.05, indicating a mediation effect. Therefore, **H4 is accepted** means that profitability mediates the relationship between CSR disclosure and share price.

Table 4. Sobel test for Mediation Effect

		T stat	*p-value*
CSR → ROA	-0.136	-2.07139005	0.03832
ROA → SP	6.348		

Source: https://quantpsy.org/sobel/sobel.htm

Discussion

The Impact of CSR Disclosure on Share Prices

This study concludes that CSR disclosure (CSRD) has no significant impact on stock prices. This is supported by the CSRD t-statistic value of 0.652 > 0.05 and the coefficient value of -0.437, indicating that CSRD has no significant effect on share price. This is based on CSR data from the company's sustainability report, which was used as a sample and had a low disclosure ratio.
Sholihah and Susilo (2021) discovered that a low disclosure ratio was one of the reasons there was no meaningful relationship between Corporate Social Responsibility (CSR) and share prices. In this example, the disclosure ratio refers to the extent to which a corporation includes CSR information in its sustainability report. If the CSR disclosure ratio is low, implying that corporations give little information about their CSR efforts, the effect on stock prices may be difficult to detect or quantify. Investors and market participants frequently rely on clear and detailed information to make investment decisions.

This study's findings are consistent with those of Arimbawa and Wirakusuma (2016), Krisnamurti and Adiwibowo (2017), Anggraini et al. (2020), and Sholihah and Susilo (2021), who found that Corporate Social Responsibility (CSR) has no substantial effect on business share prices. These findings are also based on the low proportion of CSR disclosures by the research subjects. Meanwhile, according to the findings of Hamdani (2014), the amount of CSR disclosure has the potential to impact a company's share price. These findings suggest that when companies disclose more extensive and transparent information about their CSR operations, investors are more likely to respond positively.

However, the findings are inconsistent with the theory that underpins it, notably signaling theory. Signaling theory explains that firms offer signals or information concerning Corporate Social Responsibility (CSR) in order to pique the interest of third parties, such as investors. In other words, publishing CSR information is regarded as a method for painting a positive picture of corporate social responsibility performance, which is believed to impact investors' investment decisions (Krisnamurti and Adiwibowo, 2017). However, the research results reveal that the signals or information provided by companies regarding their CSR performance have no substantial influence or just a minor influence on investment decisions made by investors.

The impact of CSR disclosure on profitability

According to regression study, CSR Disclosure has a considerable negative impact on profitability, as assessed by Return on Assets (ROA) value. The CSRD t-statistic value of 0.010 < 0.05 and coefficient value of -0.136 demonstrate a substantial negative effect on ROA. This suggests that when the CSR disclosure ratio increases, the company's profitability decreases. This research suggests that when corporations are more active and open about sharing information about their social responsibilities, it might have a detrimental influence on their profitability.

Greater CSR disclosure frequently indicates that businesses engage in social or environmental activities that may incur additional expenditures, such as sustainability programs or social responsibility initiatives. These additional costs might reduce the company's net profit, resulting in a lower ROA score. This conclusion is corroborated by the findings of Astari (2016) and Bhakti (2020), who both found that CSR has a considerable negative effect on ROA. Candrayanthi & Saputra (2013) and Gantino (2016) found that CSR has a significant effect on ROA.

The findings of this study are consistent with stakeholder theory (Krisnamurti & Adiwibowo, 2017), which asserts that a firm is not an entity that functions just for its own interests, but must also help stakeholders. Companies may incur significant additional costs while implementing CSR. Expenditures resulting from these costs will have an impact on the company's profitability. However, this practice might help the company project a positive image in the eyes of the public. The outcome is a decrease in profitability, implying that increased CSR may result in a decrease in ROA.

Impact of Profitability on Share Prices

The regression results reveal that profitability, as measured by Return on Assets (ROA), has a positive and significant impact on share prices. This conclusion is supported by the ROA t-statistic value of 0.001, which is less than the significance limit of 0.05, and a coefficient of 6.348. This figure suggests that ROA has a considerable beneficial impact on share price movements. In other words, any rise in profitability (ROA) leads to an increase in share price. This aspect is significant since a high ROA demonstrates the company's capacity to maximize the utilization of its assets to increase earnings.

A high ROA level appeals to investors since it implies that the company can generate big profits and is effective at controlling operational and non-operational costs. Increased investor interest, as mentioned by

Ramdiani and Yadnyana (2013), is one of the variables that might drive up firm share prices. High investor interest is related with a belief that the company has great financial performance and can deliver profitable results to shareholders.

This finding is consistent with the views of Revita (2018), who also believes that ROA has a strong beneficial impact on share value. This demonstrates that increased variations in profitability can help organizations establish a reputation for good performance, enticing investors. Thus, the findings of this study lend empirical evidence to the positive association between ROA and stock price, giving valuable insights for corporate stakeholders and investors.

The findings of this study are consistent with the research's underlying hypothesis, signaling theory. In signaling theory, the findings of this study may be related to measuring profitability using Return on Assets (ROA), which enhances the link between positive signals from CSR and the profits that can be generated by the company. ROA, as a measure of efficiency in asset management to create profits, is significant to the concept of profit and is perceived as a positive signal for investors (PW, Cornelia, & Lako, 2018). In keeping with the goal of signaling theory, which is to describe how a corporation should provide positive signals to its stakeholders (Krisnamurti and Adiwibowo, 2017).

The impact of profitability as a mediator between CSR disclosure and share prices

According to this study, profitability can mediate the relationship between CSR disclosure and stock prices. The results of the Sobel test reveal a statistical t value of -2.071 with a significance level of 0.038, which is less than 0.05. This shows that there is a considerable mediating factor or direct influence through profitability in the link between CSR disclosure and stock prices. These results reveal perfect mediation (complete mediation), which is consistent with Baron and Kenny's (1986) hypothesis, in which the independent variable (CSRD) has no direct impact on the dependent variable (share price) after including the mediating variable (ROA).

This study demonstrates that CSRD has no significant influence on HS. Meanwhile, CSRD has a big effect on ROA, which in turn has a significant effect on HS. As a result, we can conclude that CSRD has an indirect affect on HS, which is mediated by ROA. Thus, this mediation qualifies for full mediation.

These findings are consistent with Thuy et al's (2021) research on listed businesses in Vietnam, which found that when ROA is employed as a mediator, the negative impact of CSR disclosure on the chance of a share price decrease becomes more pronounced. When corporations reveal more CSR information, the danger of stock price decrease is greatly reduced. In other words, CSR disclosure has an effect on a company's share price, and this effect is magnified when the profitability component (ROA) is utilized as a mediator in this relationship.

The findings of this study are consistent with the research's underlying theory, agency theory. In agency theory, the findings of this study can be linked to management's position as an agent responsible for administering the organization in the interests of the owners or shareholders (principals). In an agency framework, management is expected to operate in ways that increase corporate value while also protecting shareholder interests (Krisnamurti & Adiwibowo, 2017). These findings provide more insight into the significance of management activities in responding to stakeholder expectations and running the firm efficiently and successfully.

Conclusions

The purpose of this study is to determine the direct impact of CSR disclosure on share prices, as well as the indirect impact mediated by profitability, in mining companies listed on the Indonesia Stock

Exchange between 2018 and 2022. This research yields findings like the following: CSR Disclosure has no effect on the company's share price since the CSR disclosure ratio is so low that it cannot have a substantial impact on investor interest or share value. CSR disclosure has a severe detrimental impact on profitability. This suggests that when CSR disclosure increases, the company's profitability decreases. Profitability has a substantial beneficial impact on the company's share price. This indicates that when the company's profitability increases, so will its share price. Profitability has the ability to mediate the relationship between CSR disclosure and share price. This study demonstrates how CSR disclosure can impact company profitability, which in turn affects share price.

However, this study has some limitations that must be pointed out. First, data from 2018-2022 may be insufficient to assess the long-term influence of CSR activities on stock prices. Second, not all organizations employ the GRI standard to issue sustainability reports, whereas this study's CSR disclosure is measured using GRI-based disclosure indicators. Furthermore, this study does not take into account external elements that could alter this association, such as economic or regulatory changes.

This research has made the following suggestions both practical and academic: Companies can optimize the positive impact of CSR policies by boosting the quality and depth of CSR disclosures. More precise and accessible information on CSR programs would help stakeholders, particularly investors, understand a company's contribution to social responsibility and how it affects financial success.

For future research, it is proposed that the corporate sample be expanded to include additional industrial sectors. Future study can extend the observation period or employ panel data to address constraints in capturing long-term effects. Furthermore, considering external elements that may influence the relationship between CSR disclosure, profitability, and stock prices can help us better understand these dynamics.

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