

The Effect of CSR, Financial Distress, and Good Corporate Governance on Stock Returns

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DOI : <https://doi.org/10.61796/ijai.v1i3.18>



Sections Info

Article history:

Submitted: August 31, 2025

Final Revised: September 15, 2025

Accepted: September 30, 2025

Published: October 25, 2025

Keywords:

Corporate Social Responsibility (CSR)

Financial distress

Good Corporate Governance (GCG)

Stock returns

Mining sector

ABSTRACT

Objective: The purpose of this study is to determine and examine the effect of Corporate Social Responsibility (CSR), financial distress, and Good Corporate Governance (GCG) on stock returns in mining companies listed on the Indonesia Stock Exchange. **Method:** This study uses a quantitative method with secondary data as the main source. Stock return data was obtained from annual closing prices during the period 2021 to 2023. All information was then classified into research variables according to the needs of the analysis. The sample was determined using purposive sampling, which is a non-probability sampling method based on certain criteria relevant to the research objectives. **Results:** Based on the results of testing, analysis, and interpretation of data in this study, it can be concluded that Corporate Social Responsibility (CSR), financial distress, and Good Corporate Governance (GCG) have a significant effect on the stock returns of companies listed on the Indonesia Stock Exchange. **Novelty:** Theoretically, this study contributes to the understanding that the influence of CSR, financial distress, and corporate governance on stock returns is contextual, greatly influenced by industry characteristics, company financial conditions, and investor behavior in interpreting risk, profitability, and company sustainability. For investors, these results can be used as a reference in formulating investment strategies, considering that CSR does not always increase stock attractiveness, financial distress can open up opportunities for higher returns, and corporate governance, although important in the long term, can reduce returns in the short term.

INTRODUCTION

Stock returns are one of the main indicators for investors because they reflect the rate of return on invested capital [1]. In addition, the capital market serves as a link between parties seeking funds, such as issuers, corporations, and governments, and parties that have funds to invest. Although the Indonesian capital market offers a variety of attractive investment opportunities, it also faces risks similar to those experienced by international markets, including the potential for fraud. The mining industry is a capital-intensive sector with a high level of risk [2]. A number of cases that have occurred in the mining sector, such as the alleged corruption case involving tin trading at PT. Timah (Persero) Tbk. during the 2015-2022 period, revealed the misuse of Corporate Social Responsibility (CSR) funds channeled to Harvey Moeis through an intermediary amounting to Rp 124.2 billion. Based on an audit by the Financial and Development Supervisory Agency (BPKP) (2024), these practices caused state losses of up to Rp 300 trillion and environmental damage in mining areas, making it one of the biggest corruption scandals in Indonesia. These incidents underscore the importance of investor vigilance and the need for stricter supervision and enforcement of regulations to create a safe and trustworthy investment climate [3].

According to the Central Statistics Agency (BPS) in 2022, mining companies contribute around 7-10% to Indonesia's Gross Domestic Product (GDP). Mining companies play an important role in creating job opportunities and increasing state revenue. Indonesia attracts international investment due to its lucrative resources, such as coal, nickel, copper, gold, and tin [4]. This makes Indonesia dependent on mining companies. Of course, this dependence comes with challenges or problems that must be addressed, such as price fluctuations and environmental impacts. As a result, the government must develop sustainable plans to optimize profits and reduce risks.

Stock performance or stock yield refers to the amount of money received by parties who invest in their capital investment. This includes dividends received during the period of stock ownership and stock trading margins [5]. Many factors affect stock returns, one of which is corporate social responsibility (CSR) as a form of contribution to society and the environment, which is included in the company's annual report [5]. CSR, which is based on the 3P concept (Profit, Planet, People), proves that companies not only maintain their reputation but also contribute to society and the environment. CSR improves stakeholder assessment and trust, although it is often overlooked in developing countries, such as Indonesia [6]. According to Kaur and Sing [4], CSR is considered a voluntary initiative and a legal obligation. Transparency in reporting CSR activities is believed to strengthen a company's reputation in the market and foster trust from both investors and the public [7]. However, empirical findings on the relationship between CSR and stock returns still vary; some studies, such as those reported by [8], find a significant effect, while others, such as [9], find no meaningful relationship.

In addition to CSR, financial distress is also a factor that affects stock performance. Financial distress describes a situation where a company faces serious financial pressure due to a decline in economic performance, which has the potential to lead to a crisis or bankruptcy [10]. Factors that often trigger financial distress include difficulty in obtaining funding, weak financial management, poor management understanding of financial conditions, and wrong strategic decisions. Research [5] found that the more severe the financial difficulties experienced by a company, the greater the pressure on stock prices and returns. These results are in line with signal theory, which emphasizes that market price movements reflect a company's internal conditions, including when it faces financial pressure. Other findings, as reported by [11], even show that financial distress can affect stock profits.

The third trigger for stock returns is determined by corporate governance or Good Corporate Governance (GCG). Good corporate governance (GCG) affects stock prices and company performance [12]. Weak GCG is also evident in the appointment of incompetent commissioners and the presence of directors who are not independent in strategic decision-making [13]. The implementation of good GCG is believed to increase stock value, as transparency and accountability encourage investor confidence in the quality of company management. A good governance system can reduce corruption and abuse of authority, while creating a sustainable business environment [1]. In this study, GCG indicators are proxied by managerial ownership. The selection of this indicator is

based on previous research showing a significant effect of managerial ownership on stock returns [14]; this is reinforced by other studies reported by [14].

Conceptually, this study is based on two main theories, namely signaling theory and stakeholder theory. Signaling theory stems from the lack of transparency of information between internal management and external stakeholders [15]. Signaling theory relates to situations where there is information asymmetry between investors and managers [16]. To reduce this information gap, companies are required to disclose financial reports and other relevant information regarding their performance and future prospects. From the perspective of signaling theory, the publication of good financial reports can be a positive indication that reflects management optimism, thereby potentially attracting investor interest [17]. On the other hand, stakeholder theory emphasizes that the sustainability of a company is greatly influenced by its surrounding environment, both internally and externally, such as the government, competitors, and the wider community.

This study is an elaboration of previous research conducted by [5]. The main difference lies in the variables used; previous research focused on CSR, capital structure, and financial distress, while this study adds the variable of GCG in addition to CSR and financial distress. The research object is also different: while previous research focused on manufacturing companies, this study specifically focuses on mining companies. Based on this background, the purpose of this study is to determine and examine the effect of Corporate Social Responsibility (CSR), financial distress, and Good Corporate Governance (GCG) on stock returns in mining companies listed on the Indonesia Stock Exchange.

Hypothesis Development

The Effect of Corporate Social Responsibility (CSR) on Stock Returns

According to stakeholder theory, in addition to shareholders, companies also have moral and operational obligations to other stakeholders, such as employees, customers, suppliers, local communities, and government agencies. Therefore, effective CSR implementation can improve a company's relationship with its stakeholders and result in better financial performance. In study [18], companies that actively engage in CSR tend to have high net profits and improved financial performance.

H1 : Corporate Social Responsibility (CSR) affects stock returns.

The Effect of Financial Distress on Stock Returns

Financial distress is a situation where a company faces financial pressure that hinders its ability to meet its maturing obligations and fund its daily operational activities [19]. This condition is usually triggered by several factors, including insufficient cash flow due to operating income being lower than the costs incurred, high debt burdens, and limited funds available to the company to cover various expenses [20]. The higher the level of financial difficulty a company faces, the greater the impact on the decline in the company's stock price, which in turn affects the level of stock returns.

H2 : Financial distress affects stock returns.

The Effect of Good Corporate Governance (GCG) on Stock Returns

From the perspective of stakeholder theory, corporate governance is seen as a reflection of a company’s financial performance. Meanwhile, signaling theory explains that the successful implementation of GCG is a sign of management’s commitment to continuously improve performance, which ultimately has implications for increasing company value and stock prices [21]. Research [22] confirms that the level of stakeholder confidence in financial performance correlates with their confidence in the company as a whole. In the context of this study, GCG is measured through managerial ownership indicators. The results of a study conducted by [21] show that managerial ownership has a effect on stock returns, indicating that the greater the proportion of shares owned by managers, the stronger the market’s confidence in the company’s performance.

H3 : Good Corporate Governance (GCG) affects stock returns.

Conceptual Framework

The following is a conceptual framework for the study entitled “The Effect of CSR, Financial Distress, and Corporate Governance on Stock Returns”:

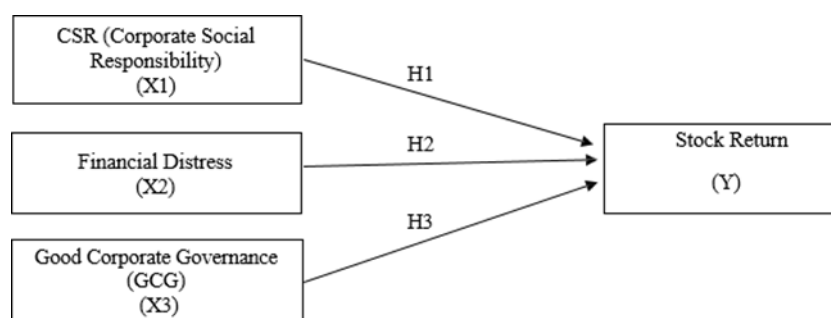


Figure 1. Conceptual Framework.

RESEARCH METHOD

This study uses a quantitative method with secondary data as the main source. Stock return data was obtained from annual closing prices during the period from 2021 to 2023. All of this information was then classified into research variables according to the needs of the analysis. The sample was determined using purposive sampling, which is a non-probability sampling method based on specific criteria relevant to the research objectives [23].

Table 1. Sample selection criteria.

Criteria	Sum
Population of mining companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023.	70
Companies that did not provide complete annual reports or sustainability reports for the 2021-2023 period.	20
Companies that did not have complete data related to CSR, financial distress, or GCG for 2021-2023.	15
Mining companies that incurred losses in 2021-2023.	12

Companies whose shares were subject to prolonged suspension or delisting in 2021-2023.	7
Total Sample Used	16
Total Observations (16x3)	48

Operational Definition of Variables

This study has two variables, namely independent variables and dependent variables. The variables in this study include CSR and GCG. Meanwhile, the dependent variable is the stock return.

Table 2. Variable definitions and measurement indicators.

No.	Variable	Definition	Indicator	Scale
1.	Corporate Social	Corporate Social Responsibility (CSR) can be understood as the practice of communicating or reporting information about the social and environmental consequences arising from a company's economic activities [7].	CSR Disclosure Index based on social responsibility disclosure items in annual reports (referring to GRI) [7].	Ratio
2.	Financial distress	Financial distress is a condition in which a company experiences financial difficulties in paying its maturing obligations and paying for its operational activities [19].	DER = Total Liabilities / Total Equity [19].	Ratio
3.	Good Corporate Governance (GCG)	Management ownership measurement shows how many shares are owned by management, such as directors and commissioners [24].	Managerial Ownership = (Number of shares owned by management ÷ Number of outstanding shares) × 100% [24].	Ratio
4.	Return Saham	Stock returns are the amount of money investors earn from their investments [5].	Individual Stock Return = $\frac{P_t - P_{t-1}}{P_{t-1}}$ with P_t = stock price in period,	Ratio

P_{t-1} = stock price in
the previous period [5].

Data Analysis Techniques

Before running the regression model, descriptive statistical analysis and classical assumption testing are first conducted, including normality testing, multicollinearity testing, and heteroscedasticity testing.

1. Descriptive Statistics Test

Descriptive statistics are used to describe the main characteristics of the research variables and data distribution patterns. The initial information obtained from this stage helps researchers understand the characteristics of the data before proceeding to inferential analysis [23].

2. Classical Assumption Test

a. Data Normality Test

The One-Sample Kolmogorov-Smirnov method is used for normality testing. Data is declared normal if the significance value is greater than 0.05; conversely, if it is less than 0.05, the data is not normal [23].

b. Multicollinearity Test

A model is said to experience multicollinearity when the VIF value exceeds 10 or the tolerance is below 0.10. However, if the VIF is less than 10 and the tolerance is greater than 0.10, then the model is free from multicollinearity problems [23].

c. Heteroscedasticity Test

One method for identifying heteroscedasticity is through a scatterplot. Certain patterns in the distribution of points, such as widening, narrowing, or waveforms, indicate heteroscedasticity. Conversely, points scattered randomly around the zero line on the Y-axis without any particular pattern indicate that the regression model has no heteroscedasticity problems [23].

3. Data Analysis Methods

a. Multiple Linear Regression Analysis

Multiple linear regression techniques are used to estimate the value of the dependent variable

(Y) that is influenced by two or more independent variables (X) that serve as predictors. Hypothesis testing is carried out using the F test and t test, which are processed based on the multiple linear regression equation as the analysis model.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Explanation:

Y : Return on Equity.

α : Constant.

β_1-3 : Coefficients.

X1 : Corporate Social Responsibility (CSR).

X2 : Financial distress.

X3 : Good Corporate Governance (GCG).

E : Disturbing Variables.

4. Hypothesis Testing

a. Determination Coefficient Test (R²)

This study uses the determination coefficient as a measure to assess the relationship between CSR, Financial Distress, and Good Corporate Governance with stock return levels [25].

b. F Test (Simultaneous Effect)

Through the F test, it can be determined whether a set of independent variables simultaneously has a significant effect on the dependent variable. In this study, the F test was applied to test whether corporate social responsibility (CSR), financial distress, and good corporate governance, when combined, have a significant effect on stock returns [23].

c. t Test (Partial Effect)

The purpose of the t-test is to describe how much one independent variable affects the dependent variable when other variables are held constant. This test helps identify the variables that are most influential or significant to the dependent variable. In this study, the t-test was used to evaluate the separate effects of CSR, financial distress, and GCG on stock returns [23].

RESULTS AND DISCUSSION

Results

Descriptive Statistics Test

Table 3. Descriptive Statistics Test.

Variable	N	Minimum	Maximum	Mean	Std. Deviation
CSR	48	0.00	0.87	0.2516	0.22259
Financial Distress	48	2.17	12.50	5.3058	2.49270
Governance	48	4.40	6.57	5.6337	0.73474
Stock Return	48	-82.56	677.78	31.6656	116.28873
Valid N (listwise)	48				

Source: Output SPSS ver 29 (2025)

Based on Table 3, descriptive statistical tests provide an overview of the characteristics of the research data, which include independent variables, namely Corporate Social Responsibility (CSR), Financial Distress, and Corporate Governance, as well as dependent variables, namely Stock Return. This study used 48 observations from 16 mining companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023. The analysis results show that the CSR variable has a minimum value of 0.00 and a maximum of 0.87 with an average of 0.2516 and a standard deviation of 0.22259. These findings indicate that the level of CSR disclosure by mining companies is still relatively low with a fairly high level of variation between companies. The Financial Distress variable has a minimum value of 2.17 and a maximum of 12.50 with an average of 5.3058 and a standard deviation of 2.49270, which indicates significant differences in financial distress among the sample companies. The Corporate Governance variable has

a minimum value of 4.40 and a maximum of 6.57 with an average of 5.6337 and a standard deviation of 0.73474. These results reflect that corporate governance in the mining sector is generally in the good category, although there are still variations in quality between companies. Meanwhile, the Stock Return variable shows a minimum value of -82.56 and a maximum of 677.78 with an average of 31.6656 and a fairly large standard deviation of 116.28873. This indicates that the stock returns of mining companies are highly volatile, with some companies experiencing significant losses, while others earn high profits.

Classical Assumption Test

1. Normality Test

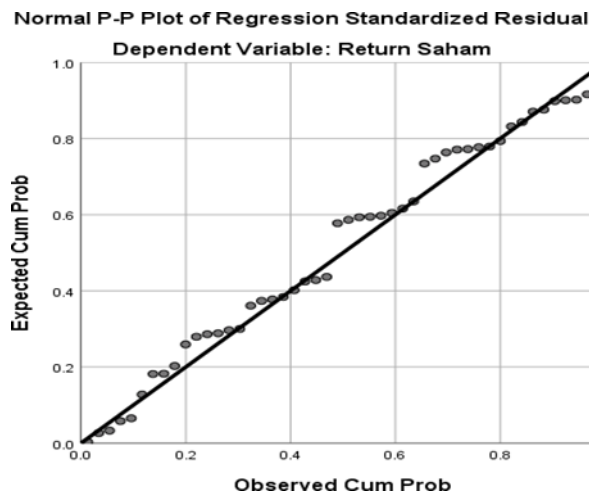


Figure 2. Normality Test.

Source : Output SPSS ver 29 (2025).

Based on Figure 1 of the normality test and supported by Figure Normal P-P Plot of Regression Standardized Residual, it can be seen that the residual points tend to follow the diagonal line. This indicates that the residual data is normally distributed. Thus, the normality assumption in the regression model is fulfilled. Fulfilling this normality assumption is important because it ensures the validity of the regression test results that will be carried out in the next stage, so that the model can be interpreted more reliably in explaining the relationship between the independent variables, namely CSR, Financial Distress, and Corporate Governance, and the dependent variable, Stock Return.

Table 4. Kolmogorov-Smirnov (K-S) Normality Test.

	<i>Unstandardized Residual</i>
N	48
Normal Parameters	
<i>Mean</i>	0.0000000
<i>Std. Deviation</i>	0.24502612
Most Extreme Differences	
<i>Absolute</i>	0.101
<i>Positive</i>	0.062
<i>Negative</i>	-0.101
Test Statistic	0.101

Asymp. Sig. (2-tailed) 0.200^{c, d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source : Output SPSS ver 29 (2025).

Based on Table 4 of the Kolmogorov-Smirnov normality test, it is known that the significance value (Asymp. Sig. 2-tailed) is 0.200, which is greater than the significance level of 0.05. This result indicates that the residual data is normally distributed. This is also reinforced by the mean value of 0.0000000 and the standard deviation of 0.24502612, which are close to the conditions of normal distribution. Thus, it can be concluded that the regression model has met the normality assumption and is therefore suitable for further regression analysis.

2. Multicollinearity Test

Table 5. Kolmogorov-Smirnov (K-S) Multicollinearity Test.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	2.115	0.097	—	21.799	0.000	—	-
CSR	-0.161	0.026	-0.556	-6.185	0.000	0.958	1.044
Financial	0.197	0.029	0.618	6.892	0.000	0.962	1.040
Governance	-0.077	0.027	-0.258	-2.816	0.007	0.923	1.084

Source : Output SPSS ver 26 (2025).

Based on Table 5, the multicollinearity test shows that all independent variables in this study, namely CSR, Financial Distress, and Corporate Governance, have tolerance values greater than 0.10 and Variance Inflation Factor (VIF) values less than 10. The tolerance value of the CSR variable is 0.958 with a VIF of 1.044, the Financial Distress variable is 0.962 with a VIF of 1.040, and the Corporate Governance variable is 0.923 with a VIF of 1.084. These results indicate that there is no multicollinearity problem between the independent variables in the regression model. Thus, the regression model used meets the multicollinearity assumption and can be used for further testing more accurately.

3. Heteroscedasticity Test

Table 6. Kolmogorov-Smirnov (K-S) Heteroscedasticity Test.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.225	0.054	—	4.150	0.000
CSR	-0.001	0.015	-0.010	-0.067	0.947

Financial Distress	-0.022	0.016	-0.208	-1.383	0.174
Governance	0.010	0.015	0.104	0.681	0.499

Source : Output SPSS ver 29 (2025).

Based on Table 6, the heteroscedasticity test shows that the independent variables consisting of CSR, Financial Distress, and Corporate Governance have significance values of 0.947, 0.174, and 0.499, respectively, all of which are greater than the significance level of 0.05. These results indicate that there is no significant effect between the independent variables and the absolute residual value (ABS_Res). Thus, it can be concluded that the regression model in this study is free from heteroscedasticity. This indicates that the residual variance is constant (homoscedastic), so that the regression model used meets the classical assumption of heteroscedasticity and is suitable for further analysis.

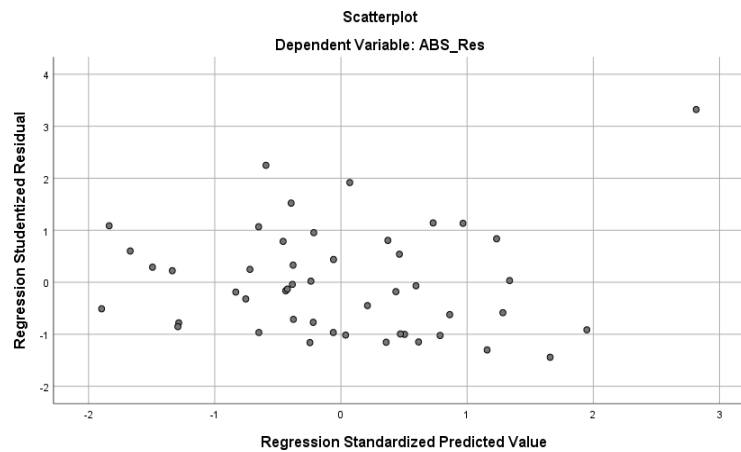


Figure 3. Heteroscedasticity Test.

Source : Output SPSS ver 29 (2025).

Based on Figure 2, the heteroscedasticity test shows that the residual points are randomly scattered above and below zero on the Y-axis and do not form any particular pattern, such as narrowing, widening, or wavering. This random distribution pattern indicates that there is no heteroscedasticity in the regression model. Thus, the regression model used meets the classical assumption of heteroscedasticity, so that the residual variance is constant (homoscedastic) and the regression estimation results can be interpreted more reliably.

4. Autocorrelation Test

Table 7. Autocorrelation Test.

	Model R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1.	0.812 ^a	0.659	0.636	0.25324	2.113

^a Predictors: (Constant), Governance, Financial Distress, CSR

^b Dependent Variable: Stock Returns

Based on Table 7, the autocorrelation test obtained a Durbin-Watson value of 2.113. This value is around 2, indicating that there are no positive or negative autocorrelation symptoms in the regression model. Thus, it can be concluded that the regression model used in this study meets the autocorrelation assumption. Fulfilling this assumption is important because it ensures that the residuals in the model are independent between observations, so that the regression estimation results are reliable and valid for use in hypothesis testing.

Multiple Linear Regression Analysis

Table 8. Multiple Linear Regression Analysis.

Coefficients^a

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	2.115	0.097	–	21.799	0.000
CSR	-0.161	0.026	-0.556	-6.185	0.000
Financial Distress	0.197	0.029	0.618	6.892	0.000
Good Corporate Governance	-0.077	0.027	-0.258	-2.816	0.007

^a Dependent Variable: Stock Returns

Source : Output SPSS ver.29 (2025).

As seen in the Coefficients table, multiple linear regression analysis using SPSS calculations yielded the following results: (α) = 2.115, b_1 = -0.161, b_2 = 0.197, b_3 = -0.077. Thus, the multiple linear regression equation formed is:

$$Y=2.115-0.161X_1+0.197X_2-0.077X_3$$

Description:

Y = Stock Return X1 = CSR

X2 = Financial Distress

X3 = Corporate Governance

From the regression analysis results, the following can be explained:

- The constant value (α) of 2.115 indicates that if the CSR (X1), Financial Distress (X2), and Corporate Governance (X3) variables do not change or are equal to zero, then the average Stock Return (Y) value is 2.115 units.
- The regression coefficient value of the CSR variable (X1) = -0.161 with a negative direction, meaning that if the CSR value increases by 1 unit, the Stock Return will decrease by 0.161 units, assuming other variables remain constant. This shows that an increase in CSR expenditure or intensity actually reduces stock returns.
- The regression coefficient value of the Financial Distress variable (X2) = 0.197 with a positive direction, meaning that if the Financial Distress value increases by 1 unit, the Stock Return will increase by 0.197 units, assuming other variables remain

- constant. This indicates that a higher level of financial distress is actually associated with an increase in stock returns.
- d. The regression coefficient value of the Good Corporate Governance (GCG) variable (X_3) = -0.077 with a negative direction, meaning that if the corporate governance value increases by 1 unit, the Stock Return will decrease by 0.077 units, assuming other variables remain constant. This shows that corporate governance in this model has a downward effect on stock returns.
 - e. Based on the t-value and significance (Sig.), it is known that CSR ($t = -6.185$, Sig. = 0.000), Financial Distress ($t = 6.892$, Sig. = 0.000), and Good Corporate Governance (GCG) ($t = -2.816$, Sig. = 0.007) are all significant at $\alpha = 5\%$. Thus, the three independent variables are proven to have a significant effect on Stock Returns.

Hypothesis Analysis

1. Determination Test R^2

In this study, the determination test (R^2) was used to determine the extent to which the independent variables explained the variation in the dependent variables. The coefficient of determination was obtained by processing the data using SPSS as follows:

Table 9. Determination Test (R^2) Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.812 ^a	0.659	0.636	0.25324

a. Predictors: (Constant), Governance, Financial Distress, CSR
Source: Output SPSS ver.29 (2025)

Based on Table 9 Determination Test (R^2), it can be seen that the Adjusted R Square value is 0.636 or 63.6%. This means that the variables of CSR, Financial Distress, and Good Corporate Governance (GCG) are able to explain 63.6% of the variation in Stock Return. Meanwhile, the remaining 36.4% (100% - 63.6%) is influenced by other factors outside this research model. Thus, it can be concluded that the Adjusted R Square value of 0.636 indicates that the regression model used is quite good because it is able to explain most of the variation in Stock Return through the independent variables studied.

2. Partial Test (T-test)

The t-test is used to determine the partial effect of each independent variable (CSR, Financial Distress, and Good Corporate Governance (GCG)) on the dependent variable, namely Stock Return. The results of data processing using SPSS can be seen in the following table:

Table 11. T-test (Partial) Coefficients^a.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.115	0.097	—	21.799	0.000
CSR	-0.161	0.026	-0.556	-6.185	0.000
Financial Distress	0.197	0.029	0.618	6.892	0.000

<i>Good Corporate Governance</i>	-0.077	0.027	-0.258	-2.816	0.007
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a. Dependent Variable: Stock Return

Source: Output SPSS ver. 29 (2025).

Based on the T-test table above, the following results were obtained:

- a. The CSR variable has a t-value of -6.185 with a significance value of $0.000 < 0.05$. This indicates that CSR has a negative and significant effect on Stock Return. Thus, the hypothesis stating that CSR affects Stock Return is accepted.
- b. The Financial Distress variable has a t-value of 6.892 with a significance value of $0.000 < 0.05$. This means that Financial Distress has a and significant effect on Stock Return. Thus, the hypothesis stating that Financial Distress affects Stock Return is accepted.
- c. The Good Corporate Governance (GCG) variable has a t-value of -2.816 with a significance value of $0.007 < 0.05$. This means that Corporate Governance has a negative and significant effect on Stock Return. Thus, the hypothesis stating that Corporate Governance affects Stock Return is accepted.

Thus, it can be concluded that the three independent variables, namely CSR, Financial Distress, and Good Corporate Governance (GCG), partially have a significant effect on Stock Return.

Discussion

Discussion The Effect of CSR on Stock Returns

Partial testing results show that the Corporate Social Responsibility (CSR) variable has a regression coefficient of -0.161 with a significance value of $0.000 < 0.05$. This means that CSR has a significant effect on stock returns. This finding indicates that the higher the disclosure or costs incurred for CSR activities, the more a company's stock returns tend to decline. Thus, the hypothesis that CSR affects stock returns is accepted.

In theory, these results can be explained through trade-off theory, in which CSR activities are perceived as an additional burden that reduces the company's short-term profitability. Investors, especially those oriented towards quick profits, tend to view CSR as an expense that does not provide direct added value, thereby reducing the attractiveness of shares. The agency theory perspective also supports this, as the use of funds for social activities is sometimes seen as creating a conflict of interest between management and shareholders, especially when the benefits of CSR do not immediately improve financial performance.

The findings of this study are in line with the results of a study [26], which shows that CSR has a effect on stock returns. This occurs because the Indonesian capital market still places more emphasis on short-term profitability than on corporate social commitment.

However, the results of this study differ from those of [27], who found that CSR actually has a effect on stock returns. This positive relationship is even stronger when

companies have high profitability, as investors view CSR as a signal of sustainability that can enhance the company's reputation. In addition, research by [28] shows that CSR does not have a significant effect on stock returns, unless moderated by profitability. This means that companies with high profitability can use CSR as a factor that strengthens the attractiveness of their shares, while for companies with low profitability, CSR is not a major factor in investor assessment. According to [35], the results of the study show that corporate social responsibility has no effect on the stock returns of manufacturing companies on the Indonesia Stock Exchange. This condition shows that the better the disclosure of social responsibility to the environment, the less positive impact it will have on the financial performance (profitability) of the company.

Thus, it can be concluded that although CSR in this study was found to reduce stock returns, the results are not entirely consistent with previous studies. The differences in the results of this study confirm that the effect of CSR on stock returns is contextual, highly dependent on the financial condition of the company, investor characteristics, and how the market interprets CSR activities as a burden or as a long-term investment.

The Effect of Financial Distress on Stock Returns

The partial test results show that the financial distress variable has a regression coefficient of 0.197 with a significance level of 0.000, which is less than 0.05. This indicates that financial distress has a significant effect on stock returns. This finding suggests that the higher the level of financial distress experienced by a company, the higher the stock returns.

This phenomenon can be explained through the risk and return trade-off theory, whereby the greater the risk of a company, the greater the potential return expected by investors. Companies in financial distress are generally considered high risk, so their shares tend to fluctuate sharply. However, for risk-oriented investors, this condition can be seen as an opportunity to reap greater profits. Furthermore, based on signaling theory, financial distress can be interpreted as a signal that the company will take strategic steps such as restructuring, cost efficiency, or performance improvement. The market may respond positively to this, causing stock prices to rise and leading to an increase in stock returns [38].

The results of this study are in line with a study conducted by [29], which proves that financial distress has a significant effect on stock returns, because distress conditions are often perceived by investors as opportunities to obtain higher returns. However, these results differ from the findings of [30], which show that financial distress actually has a effect on stock returns, because investors tend to avoid companies with high bankruptcy risk, thereby reducing investment interest. Meanwhile, research conducted by [31] found that financial distress does not always have a significant effect on stock returns, because other factors such as profitability and industry conditions are also very decisive. According to [36], partial analysis results show that financial distress has a significant effect on stock returns. This indicates that the higher the level of financial distress experienced by a company, the higher the stock returns.

Thus, it can be concluded that although the results of this study prove the effect of financial distress on stock returns, the findings are not entirely consistent with previous studies. This shows that the effect of financial distress on stock returns can vary depending on industry characteristics, the research period, and how investors perceive the risks and prospects for improvement in company performance.

The Effect of Good Corporate Governance (GCG) on Stock Returns

The partial test results show that the corporate governance variable has a regression coefficient of -0.077 with a significance value of $0.007 < 0.05$. This means that Good Corporate Governance (GCG) has a significant effect on stock returns. This finding indicates that the better the implementation of corporate governance (good corporate governance/GCG), the lower the stock return.

Theoretically, this phenomenon can be explained through agency theory, in which the implementation of GCG often requires additional costs such as monitoring, auditing, and regulatory compliance costs. For some investors, especially those oriented towards short-term profits, these costs are perceived as a burden that reduces company profits, thereby reducing the attractiveness of the stock. From the perspective of signaling theory, the implementation of corporate governance is indeed a positive signal regarding the sustainability and transparency of the company. However, market responses may vary depending on investor orientation and industry conditions.

The results of this study are in line with the study by [32], which states that GCG has a significant effect on stock returns, although the relationship may be indirect through financial performance. According to [39], independent commissioners, audit committees, and foreign ownership affect stock returns, while institutional ownership and managerial ownership do not affect stock returns.

However, the results of this study differ from the findings of [33] in his article *The Effect of Good Corporate Governance and Capital Structure on Stock Returns with Risk Management as an Intervening Variable*, which proves that GCG has a effect on stock returns through the mechanism of risk management. This shows that good governance can increase investor confidence by providing effective risk management signals. According to [40], the results of the study show that Good Corporate Governance (GCG) implemented through the Board of Commissioners, Board of Directors, and Audit Committee, as well as profitability, have a effect on company value. This indicates that the implementation of good governance and solid financial performance can increase investor confidence and market perception, thereby increasing company value.

Furthermore, [34] also found that GCG has a effect on stock returns because it is considered an important instrument in improving transparency, accountability, and corporate reputation in the eyes of investors. Thus, it can be concluded that although this study found a effect, the findings from various previous studies indicate that the effect of corporate governance on stock returns is contextual. The impact is greatly influenced by the industry sector, the cost structure of governance, and the orientation of investors, whether they are more focused on short-term profits or long-term sustainability.

CONCLUSION

Fundamental Finding : Based on the results of testing, analysis, and interpretation of data in this study, it can be concluded that Corporate Social Responsibility (CSR), financial distress, and Good Corporate Governance (GCG) have a significant effect on the stock returns of companies listed on the Indonesia Stock Exchange. Specifically, CSR has a significant effect on stock returns. This indicates that the higher the CSR disclosure or costs allocated to social activities, the lower the stock returns received by investors. Financial distress has significant effect on stock returns. Investors are willing to take risks on the stocks of companies experiencing financial difficulties because of the higher profit opportunities, especially when distress is perceived as a signal of restructuring or managerial improvement. Good corporate governance has a significant effect on stock returns. Theoretically, this result is consistent with agency theory, in which the implementation of corporate governance requires compliance, monitoring, and audit costs that can reduce company profits. **Implication :** Theoretically, this study contributes to the understanding that the influence of CSR, financial distress, and corporate governance on stock returns is contextual, greatly influenced by industry characteristics, company financial conditions, and investor behavior in interpreting risk, profitability, and company sustainability. For investors, these results can be used as a reference in developing investment strategies, taking into account that CSR does not always increase stock attractiveness, financial distress can open up opportunities for higher returns, and corporate governance, although important in the long term, can reduce returns in the short term. This study also provides practical contributions for company management, namely that a balance is needed between the implementation of social responsibility, financial risk management, and the application of corporate governance. CSR should be integrated with business strategy so that it is not merely a cost burden, but rather a long-term reputation investment. Transparent financial management is important to avoid detrimental distress risks, while still providing opportunities for investors. Meanwhile, the implementation of corporate governance needs to focus not only on formal compliance, but also on creating sustainable added value for shareholders. **Limitation :** The researchers acknowledge that this study has limitations, including a relatively short research period, the use of limited independent variables, and a sample that only covers certain companies on the Indonesia Stock Exchange. The research period used was relatively short, so it was not able to describe the long-term dynamics related to the influence of CSR, financial distress, and GCG on stock returns. The independent variables used were still limited to CSR, financial distress, and GCG, so they did not fully cover other factors that also had the potential to affect stock returns, such as profitability, company size, and systematic risk. The research sample only included certain companies listed on the Indonesia Stock Exchange, so the research results cannot be generalized to the entire industry sector. **Future Research :** Further research is recommended to extend the observation period, add other variables such as profitability, company size, or systematic risk, and expand the sample coverage across sectors for more comprehensive results. Therefore, further research is expected to expand the scope by adding other

variables such as profitability, company size, or systematic risk, as well as extending the observation period so that the research results are more comprehensive and accurate.

ACKNOWLEDGEMENTS

All praise and gratitude are offered to Allah SWT for His abundant mercy and blessings, which enabled this research to be completed with enthusiasm. The researcher sincerely expresses his deepest gratitude to his parents and siblings, who always provided prayers, support, and motivation, which were the main sources of strength during the research process. The researcher would also like to thank his friends who always provided encouragement and high spirits, enabling all stages of the research to be completed successfully. Last but not least, the researcher would like to express his deepest gratitude to his supervisor for all the guidance and direction provided to ensure the perfection of this research.

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