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# Does CSRD and GCG moderate the effect of Financial Performance on Stock Return?

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## Abstract

The purpose of this study is to examine and analyze the effect of financial performance on stock returns with good corporate governance and disclosure of corporate social responsibility as moderating variables in plantation companies listed on the Indonesia Stock Exchange (BEI) 2017-2019 period. They determined the sample in this study using *a purposive sampling method to* obtain 12 companies following the criteria of a predetermined model, data collection techniques in research using documentation studies by analyzing financial reports and sustainability reports of research samples. This study uses a quantitative approach with *moderated regression analysis* to test *good corporate governance* and disclosure of social responsibility in mediating the effect of financial performance on stock returns. The measurement of financial performance uses financial ratios, namely return on equity. The test results show that economic performance has a positive and significant effect on stock returns. Institutional ownership and CSR disclosure can moderate the impact of financial performance on stock returns. The proportion of independent commissioners, managerial ownership, and audit committee cannot moderate financial performance on stock returns.

**Keywords :** Financial Performance; Stock Return; Good Corporate Governance; Corporate Social Responsibilty; Disclosure

## 1. Introduction[1,2]

One aspect of a country's economic progress indicator is a functioning capital market to mobilize funds from the parties having excess funds (investor) to those in need of funds (investee). The presence of the capital market will increase the choice of sources of funds for investors so that the opportunity to get greater returns (Hapsoro, Wicaksono & Primaretka, 2020). Currently, investors tend to seek to invest in portofolios that provide a high return (purchase rate) with a specific risk. Investors hope to get stock returns through profit-sharing, which is calculated by looking at the difference between the current year's stock price and the previous year's stock price (Rosiana, Retnowati & Hendro, 2014; Febriani, 2018).

Information about investing in a profitable industry can be obtained by analyzing the company's financial performance. Analysis of a company's financial performance requires benchmarks such as financial ratios or indexes that link one financial data to another. One of the rates used in analyzing the company's financial performance to predict stock returns is the profitability ratio. The profitability ratio describes its ability to generate profits from its fund's sources (Sivathaasan et al., 2013). One type of profitability ratio commonly used in measuring company performance in earning profits is the return on equity (ROE) to see how the company can generate a net profit using its capital and generate a net gain for owners or investors (Riyadi, 2017). The higher ROE value obtained by the company signifies the company's profitability is getting better. ROE is the ratio most often used by investors to make investment decisions. Besides that, shareholders often use roe to determine the amount of profit obtained through the funds invested (Hapsoro, Wicaksono & Primaretka, 2020).

Currently, financial performance is not the only indicator used by investors in assessing a business entity's prospects. Good Corporate Governance and Corporate Social Responsibility Disclosure allegedly influenced the relationship between financial performance and stock returns. GCG can increase stock returns because GCG can foster investor confidence, and

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companies that implement GCG have more efficient operating performance (Purnamaningsih & Wirawati, 2014). Corporate Social Responsibility Disclosure is a choice of the company's business strategy, which is intended to support the business entity's sustainability in the future. The revelation of control social responsibility items in the financial statements is expected to be an added value for the company because it impacts increasing investor confidence that the company will continue to develop and be sustainable.

Studi aims to analyze and assess the effect of stock returns' financial performance and see the moderation of disclosure of social responsibility and good corporate governance. In particular, this study's results are expected to provide information about financial and non-financial aspects that affect stock returns so that investors, investees, and stakeholders in the financial world can implement the right strategy in creating added value for investment. This research uses stewardship theory and signaling theory as the theoretical basis. This stewardship theory emerged along with the development of accounting. Stewardship theory is related to psychological and sociological theories and originates from management accounting thinking, where the steward is motivated to behave according to the principal's wishes. Stewardship theory is a description of managers motivated by the organization's primary outcome, not motivated by their interests (Davis et al., 2014). Stewardship theory is developed on a philosophical assumption related to human nature. Humans are intrinsically trustworthy, can act with a sense of responsibility, have integrity and honesty with others. This is implied in the fiduciary relationship that shareholders want.

Stewardship theory holds that management is a party that can be trusted to act in the best possible way for the benefit of both the public and stakeholders. Stewardship is a new perspective on managing and managing the organization, and income shift in the current leadership and management concept from controlling and directing towards regulation, partnership, and collective ownership by members or teams in the organization, which feel the organization is something. His property or a unit that cannot be separated from oneself. The increase in financial performance is expected to increase stock returns. To realize this, a joint effort is required between management as the manager of business entities and investors as owners to run a company with good governance (GCG) to provide maximum benefits for shareholders. In company operations, management and company owners are expected to maintain relationships with shareholders and be aware of their social responsibilities such as maintaining relationships between business entities and employees, relationships between business entities and customers, relationships between business entities and the surrounding community, and relationships between business entities and their environment.

Signaling theory is an action taken by the management of a company to guide investors on how management assesses its prospects. Signaling theory explains why companies emphasize the importance of companies' information on investment decisions (Harmadji et al., 2018). Information is an essential element for investors and business people because the report essentially provides information, notes, or descriptions for the past, present, and future conditions for a company's survival and how the securities market is. Investors in the capital market need complete, relevant, accurate, and timely information as an analytical tool for making investment decisions. Information published / announcements will provide a signal for investors in making investment decisions. If the announcement contains a positive value, it is expected that the market will react when the announcement is received by the market (Novalia & Nindito, 2016).

Financial performance is defined as a measure of company performance that uses financial ratio indicator measures (Kotane, Kuzmina & Merlino, 2012). The method commonly used to measure financial performance is the financial ratio method (Myšková & Hájek, 2017). Financial ratios are a financial analysis tool for a company to assess a company's performance based on comparing the financial data contained in the financial statements, balance sheets, income statements, and cash flow reports. In this study, the ratio used is a return on equity (ROE). Return on equity (ROE) is measured based on the profitability ratio to assess business entities' effectiveness in obtaining profits by maximizing the capital they have (Arihta et al., 2020).

Stock returns are the accumulated gains or losses from an investment over a predetermined period. They are usually measured in cash value distributed over a certain period (Sudarman, 2020). Investments expect a return or return on profits or losses/capital obtained for a certain period. Return on shares or return on investment is one of the most critical aspects of conducting investment analysis. Hapsoro, Wicaksono & Primaretka (2020) stated that the higher the stock return, the better the investment is because it can generate profits.

Corporate Social Responsibility Disclosure (CSRD) refers to the Global Reporting Initiative (GRI). GRI is a non-profit organization that aims to promote the economy, environment, and society. GRI is pioneering developing a world of social responsibility using a sustainability reporting framework and is committed to continuously improving and implementing it worldwide. The GRI standard uses 91 disclosure items consisting of economic (9 items), environmental (34 items), labor (16 items), human rights (12 items), social (11 items), and product (9 items) indicators.

The problem of corporate governance has increased since the separation between ownership and management. Owners are expected to run the corporation separately from their private wealth. Therefore, the owner will delegate this authority to a professional team called the management team to oversee the investment. Separation of ownership creates a problem called an agency problem. This problem occurs because of the dominant position of management that runs and controls the company's operations. Sometimes they go overboard and forget the ultimate goal of maximizing shareholder value. This contradiction needs to be resolved with GCG practices. The general principles of Good Corporate Governance (GCG) consist of five basic principles established by the Indonesian National Committee for Governance. These include Transparency, Accountability, Responsibility, Independence, and Fairness (rates). In this study, Good Corporate Governance is proxied by the proportion of independent commissioners, institutional ownership, managerial ownership, and the number of audit committee members.

Saragih (2018) explains that a high ROE value describes a business entity's capability to obtain high profits for shareholders. If a business entity can earn high profits, the demand for shares will increase and, in turn, will have an impact on the increase in share prices. As stock prices rise, stock returns will also increase. This is in line with research Kamar, (2017), which found ROE has a positive influence on stock returns. Based on this description, the following hypothesis is formulated:

**H1:** financial performance has a positive effect on stock returns

An independent commissioner is a member of the board of commissioners within the company. The increasing number of independent commissioners can determine the better the supervisory and coordination function. The more members of the independent commissioner, the higher the integrity of supervision on the board of directors. The implementation of integrity in the supervisory process will cause the interests of other stakeholders to be represented. This will impact shareholders' interests and increase company value so that stock returns also increase (Luh, Novitasari & Mahasaraswati, 2017). The firm value represents the price a prospective buyer is willing to invest in if it is sold. The company's fundamental condition is determined by financial performance, which affects its value. The state of the company's financial performance affects stock price movements. The stock price will determine the capital gain, which is a form of stock return. Independent commissioners who carry out their functions properly will affect company performance to increase the resulting stock returns (Ardiana, 2014; Riniati, 2015). Based on this description, the hypotheses that can be developed are:

**H2 :** The proportion of independent commissioners moderates the effect of financial performance on stock returns

The measurement of institutional ownership is based on the proportion of the institution's number of shares. A high concentration of institutional ownership will be able to monitor company management to improve financial performance effectively. Excellent financial performance in a company will reflect its fundamental condition, which will affect the stock price. The change in share price will determine the company's stock return. The application of institutional ownership in the corporate governance mechanism positively affects stock returns (Luh, Novitasari & Mahasaraswati, 2017). Based on this description, the hypotheses that can be developed are:

**H3 :** Institutional ownership moderates the effect of financial performance on stock returns

Managerial ownership is measured based on the percentage of the number of shares owned by management. Managerial ownership consists of shareholders who have positions in company management, such as directors or as the board of commissioners. Share ownership by the government impacts the oversight mechanism of strategic policies decided by company management. Managerial ownership will encourage the government to align with shareholders' wishes by improving performance and responsibility in achieving shareholder prosperity (Luh, Novitasari & Mahasaraswati, 2017). Management actions that want to maximize the interests of shareholders will have a positive impact on financial performance. The company's financial performance will affect stock price movements and will determine stock returns. Murwaningsari's (2012) research results show that managerial ownership has a positive effect on stock returns. Based on this description, the hypotheses that can be developed are:

**H4:** Managerial ownership moderates the effect of financial performance on stock returns

The audit committee has an essential role in overseeing presenting the company's financial reports so that financial statements reliable and free from material misstatement can be realized. The audit committee plays a significant role in increasing the credibility of financial reports and helping the board of commissioners gain shareholders' trust to fulfill their obligations to convey information (Luh, Novitasari & Mahasaraswati, 2017). Financial statements are useful for investors to obtain information on the company's financial performance, which will affect the stock price, which will determine the company's stock return. Based on this description, the hypotheses that can be developed are:

**H5 :** Audit committees moderates the effect of financial performance on stock returns

Company profits are measured by ROE, which is the ratio of net income to equity, which is used to measure the return rate of shareholders or ROE, which shows its ability to generate profit that can be distributed to shareholders. Company profits are measured by ROE, which is the ratio of net income to equity, which is used to measure the return rate of shareholders, or ROE, which shows its ability to generate profit that can be distributed to shareholders. The higher the ROE, the better because the company can effectively use equity to generate profits. With an increase in ROE, investors become interested in buying company shares, resulting in an increase in share prices followed by a high return rate. The increased awareness and sensitivity of the company will give birth to social responsibility or CSR. They will become an integral part of the company's growth and survival in the future. CSR must be widely disclosed as a form of information interaction between companies and stakeholders. CSRD is an investment in the company's future to create sustainable development. CSRD is predicted to strengthen ROE's effect on stock returns because the more information that is conveyed to stakeholders, the more information stakeholders receive (Hapsoro, Wicaksono & Primaretka, 2020). This will increase stakeholder trust in the company so that it impacts growing maximum results (Barić, 2017). Based on this description, the hypotheses that can be developed are:

**H6 :** CSRD moderates the effect of financial performance on stock returns

## 3. Research Design and Method

This research is a causal associative study which aims to analyze the relationship between two or more variables. This research uses secondary data through a literature study of the company's financial statements, the research sample. This study's population were all plantation sub-sector companies listed on the IDX for the 2017-2019 period. Determination of the model in this study using a purposive method or with predetermined sample criteria. The sample criteria are (Plantation subsector companies listed on the IDX for the 2016-2018 study period, Companies that do not publish regular financial reports from the 2016-2018 period, and Companies that do not report their CSR disclosures for the 2016-2018 period). The results of the determination of the sample obtained were 12 companies that fit the criteria.

This study's data were analyzed by stages several stages of analysis, such as 1) validity, 2) normality, 3) multicollinearity, 4) autocorrelation, 5) heteroscedasticity. After a simple regression test was carried out to test H1 (1st hypothesis), an interaction test or Moderated Regression Analysis (MRA) was carried out to test the second to the sixth hypothesis. This study's independent variable is financial performance as proxied by Return on Equity ROE by comparing the amount of profit available to owners of capital with equity capital. ROE is measured according to the formula:

$$ROE = \frac{Net\ Profit}{Total\ Equity}$$

The dependent variable in this study is stock returns. Annual stock returns are obtained by comparing the current year's stock price with the previous year's stock price divided by the last year's stock price. Measurement of stock returns using the formula:

$$Ret_{i,t} = \frac{P_{i,t} - Pi,_{t-1}}{Pi,_{t-1}}$$

Desciption:
Reti, t : Company stock return (i) in the year (t)
Pi, t-1 : The company's share price (i) in the previous period or (t-1)

The moderating variables used in this study are Corporate Social Responsibility and Good Corporate Governance (GCG). CSR disclosure is the disclosure of information related to corporate responsibility in the annual report. CSR measurement refers to 91 GRI-G4 indicators with details of 9 economic indicators disclosure, 34 environmental indicators, 16 workforce indicators, 12 human rights indicators, 11 social indicators, and nine product indicators to measure each exposure. -Each hand refers to (Hardi, 2018):

$$CSRIj = \frac{\Sigma Xij}{nj}$$

Description:
CSRIj: Corporate Social Responsibility Index company
Xij: Total item score (1 = if item is disclosed, 0 = if item is not disclosed).
nj: Maximum number of items for company nj = 91 (maximum items using GRI-G4 standards)

Good Corporate Governance in this study is proxied by managerial ownership, institutional ownership, the proportion of independent commissioners, and the number of members of the audit committee, with measurements that refer to (Anggitasari & Mutmainah, 2012)

## 4. Results and Discussion

***Statistical Analysis***

This study, using six linear regression model equations. The regression model used to test the hypothesis in this study consists of 6 models. Based on the test, as shown in table 1, the following mathematical equation is obtained:

RET = -0,025 + 0,002 ROE + e…………………………………………………………………... (1)
RET = -1,064 + 0,004 ROE + 2,815 KI - 0,032 ROE.KI……………………………………… (2)
RET = 0,003 - 0,015 ROE - 0,007 INST + 0,210 ROE.INST + e……………………………... (3)
RET = 0,013 + 0,002 ROE – 0,932 MANJ + 0,059 ROE MANJ + e…………………………. (4)
RET = -3,251 - 0,007 ROE + 1,108 KA - 0,073 ROE.KA + e………………………………… (5)
RET = 0,460 - 0,003 ROE - 2,361 CSR + 0,085 ROE.CSR + e………………………………. (6)

The test results in this study indicate that the data normality test (Kolmogorov Smirnov test) obtained a significance value greater than 0.05. This result means that the residual values are normally distributed for all models. The heteroscedasticity test using (Glejser test) shows no significant variables to the absolute value of the residuals in each model. The conclusion is that there is no heteroscedasticity problem in the regression model. The results of the autocorrelation test, the research regression models did not have autocorrelation problems.

Table 1.

Research Model

| | Model 1 | | Model 2 | | Model 3 | | Model 4 | | Model 5 | | Model 6 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | b | sig | b | Sig | b | Sig | b | sig | b | sig | b | sig |
| Konstanta | -.025 | .571 | -1.064 | .002 | .003 | .981 | .013 | .768 | - 3.251 | .514 | .460 | .001 |
| ROE | .002 | .901 | .004 | .523 | -.015 | .213 | .002 | .871 | -.007 | .594 | -.003 | .573 |
| KI | | | 2.815 | .004 | | | | | | | | |
| ROE*KI | | | -.032 | .410 | | | | | | | | |
| INST | | | | | -.007 | .953 | | | | | | |
| ROE*INST | | | | | .210 | .002 | | | | | | |
| MANJ | | | | | | | -.932 | .163 | | | | |
| ROE*MANJ | | | | | | | .059 | .527 | | | | |
| KA | | | | | | | | | 1.108 | .539 | | |
| ROE*KA | | | | | | | | | -.073 | .723 | | |
| CSR | | | | | | | | | | | -2.361 | .000 |
| ROE*CSR | | | | | | | | | | | .085 | .026 |

Source : Data Processsed, (2020)

In table 2, the simultaneous significance test value (F statistical test) in the models (1, 2, 3, and 6) describes a significance value of less than 0.05. This indicates that in model 1, the financial performance variable significantly affects the stock return variable. In model 2, the financial performance variables and institutional ownership variables substantially impact stock returns. In model 3, the financial performance variables and institutional ownership variables significantly affect the stock return variable. In model 6, the financial performance variables and the CSR disclosure variables significantly affect the stock return variable. Models (4 and 5) show that the significance value is more significant than 0.05; this indicates that in model 4, the financial performance variables and managerial ownership variables do not have a significant effect on firm value, and in model 5 it suggests that the financial performance variables and the audit committee variables do not have a substantial impact on stock returns.

Table 2.

Simultaneous Significance Test (Test Statistic F)

| Variable | Model 1 | | Model 2 | | Model 3 | | Model 4 | | Model 5 | | Model 6 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | F | Sig. | F | Sig. | F | Sig. | F | Sig. | F | Sig. | F | Sig. |
| ROE | 0,011 | 0,012* | | | | | | | | | | |
| ROE, KI and ROE*KI | | | 5,834 | 0,001* | | | | | | | | |
| ROE, INST and ROE*INST | | | | | 3,421 | 0,021* | | | | | | |
| ROE, MANJ dan ROE*MANJ | | | | | | | 0,718 | 0,544 | | | | |
| ROE, KA and ROE*KA | | | | | | | | | 1,098 | 0,355 | | |
| ROE, CSR and ROE*CSR | | | | | | | | | | | 8,615 | 0,000* |

Source : Data Processsed, (2020)

In table 3, the results of the individual parameter significance test (t statistical test) show that the ROE value has a significant effect on stock returns. The moderating variable of CSR disclosure (ROE * CSR) and the moderating variable of institutional ownership (ROE * INST) also significantly affect stock returns. Based on this study's results, it is concluded that CSR disclosure and Institutional Ownership can moderate the effect of financial performance on stock returns. The value (t) of both variables shows a positive value, so it can be concluded that institutional ownership and CSR disclosure strengthen ROE's effect on stock returns. Furthermore, the moderating variable the proportion of independent commissioners (ROE * KI). The managerial ownership moderation variable (ROE * MANJ) and the audit committee moderation variable (ROE * KA) did not significantly affect stock returns; this indicates that these three variables could not moderate financial performance on stock returns.

Table 3.

Significance Test of Individual Parameters (t Statistical Test)

| | Model 1 | | Model 2 | | Model 3 | | Model 4 | | Model 5 | | Model 6 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | T | sig | t | Sig | t | Sig | t | sig | T | sig | t | sig |
| Konstanta | .148 | .0.584 | -3.06 | .002 | .021 | .986 | .282 | .778 | -.608 | .543 | 3.472 | .002 |
| ROE | .103 | .003* | .658 | .513 | -1.21 | .233 | .254 | .801 | -.532 | .596 | -.554 | .583 |
| KI | | | 2.922 | .005 | | | | | | | | |
| ROE*KI | | | -.725 | .420 | | | | | | | | |
| INST | | | | | -.033 | .973 | | | | | | |
| ROE*INST | | | | | 3.279 | .001 | | | | | | |
| MANJ | | | | | | | -1.37 | .191 | | | | |
| ROE*MANJ | | | | | | | .623 | .521 | | | | |
| KA | | | | | | | | | .612 | .545 | | |
| ROE*KA | | | | | | | | | -.323 | .721 | | |
| CSR | | | | | | | | | | | -3.76 | .000 |
| ROE*CSR | | | | | | | | | | | 2.134 | .023 |

Source : Data Processsed, (2020)

Results of testing the coefficient of determination in table 4 shows that the adjusted R2 in ROE is equal to 0.223, adjusted R2 for moderating variable proportion of independent directors amounted to 0,017, adjusted R2 for moderating inconsistent institutional ownership amounted to 0,105. A moderating unstable managerial request has a value of R2 of 0.021, Rvalue2 for audit committee moderating variable is 0.014, and the final value of R2 for moderating variables CSR disclosure amounted to 0.127. This indicates that the independent variable has a contribution value of 22.3%, 1.7%, 10.5%, 2.1%, 1.4%, and 12.7% to the separate variable stock returns; other variables explain the rest outside the model.

Table 4.

Results of the testing coefficient of determination

| Variable | Model 1 | | Model 2 | | Model 3 | | Model 4 | | Model 5 | | Model 6 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $R^2$ | Adj.$R^2$ | $R^2$ | Adj.$R^2$ | $R^2$ | Adj.$R^2$ | $R^2$ | Adj.$R^2$ | $R^2$ | Adj.$R^2$ | $R^2$ | Adj.$R^2$ |
| ROE | 0.347 | 0,223 | | | | | | | | | | |
| ROE, KI and ROE*KI | | | 0.189 | 0,017 | | | | | | | | |
| ROE, INST and ROE*INST | | | | | 0,120 | 0,105 | | | | | | |
| ROE, MANJ and ROE*MANJ | | | | | | | 0,028 | 0,021 | | | | |
| ROE, KA and ROE*KA | | | | | | | | | 0,042 | 0,014 | | |
| ROE, CSR and ROE*CSR | | | | | | | | | | | 0,256 | 0,127 |

Source : Data Processsed, (2020)

Table 5.

Hypothesis Testing Results

| No | hypothesis | Result | Decision |
|---|---|---|---|
| H1 | financial performance has a positive effect on stock returns. | The value of t = 0.103 with sig. amounting to 0.03> 0.05 | Accepted |
| H2 | The proportion of independent commissioners moderates the effect of financial performance on stock returns | The value of t = -0,725 with sig. amounting to 0,420 > 0,05 | Rejected |
| H3 | Institutional ownership moderates the effect of financial performance on stock returns | The value of t = 3,279 with sig. amounting to 0,002 < 0,05 | Accepted |
| H4 | Managerial ownership moderates the effect of financial performance on stock returns | The value of t = 0,623 with sig. amounting to 0,521 > 0,05 | Rejected |
| H5 | Audit committees moderates the effect of financial performance on stock returns | The value of t = -0,323 with sig. amounting to 0,721 > 0,05 | Rejected |
| H6 | CSRD moderates the effect of financial performance on stock returns | The value of t = 2,134 with sig. amounting to 0,023 < 0,05 | Accepted |

Source : Data Processsed, (2020)

***Discussion***

The first hypothesis shows that the first hypothesis is accepted. ROE has a positive and significant effect on Stock Return. These results assume that oil palm industrial companies do not feel the trade war's impact and the Covid-19 pandemic. The European Union's initiative to limit vegetable oils made from palm oil is still uncertain; on the other hand, the world demands crude palm oil (CPO). This is the primary support for plantation sector companies in Indonesia, which continues to experience an increase in the global market, making company profits sufficient. both that have an impact on the effect of ROE on stock returns.

The results of testing the second hypothesis show that the independent commissioner variable's influence cannot moderate the relationship between ROE and stock returns. These results indicate that independent commissioners in the plantation sub-sector company have not been able to control management behavior, reducing the company's stock return. The existence of independent commissioners is highly expected because, in the long term, it can build a corporate culture that focuses on sustainably creating added value through the sustainability of corporate relationships with shareholders as well as relationships with the environment and society. Some cases that occur, such as burning forests to clear land, show that the independent commissioners cannot provide adequate management behavior oversight. In the short term, although plantation companies benefit from the stability of demand and prices for plantation commodities, if their business operations do not implement measures that are in line with environmental and social interests, it will be detrimental to the company. This condition is caused because, in the long term, the existence of the company is prone to resistance and even prohibition of operations, which can result in a decline in the company's image and also affect the company's business aspects.

The results of testing the third hypothesis indicate that institutional ownership can moderate financial performance on stock returns. These results suggest that institutional ownership in Indonesian plantation sub-sector companies whose composition is also owned by foreigners in the long term will enable the company to improve governance through a useful supervisory model. Institutional ownership is considered capable of having a positive influence related to good corporate governance. The increased financial performance of the company is the impact of adequate supervision by institutional owners to increase stock returns.

Testing the fourth hypothesis indicates that managerial ownership cannot moderate the relationship between ROE and Stock Return. The managerial ownership test results in moderating the relationship between financial performance and firm value have no significant effect. This is very likely due to the management practices of several plantation companies that do not consider environmental and social aspects in their business operations. Several forest fire incidents in Indonesia have been allegedly caused by the negligence of the management of oil palm plantation companies in Indonesia who have neglected their environmental and social responsibilities.

Testing the fifth hypothesis indicates that the audit committee cannot moderate the relationship between ROE and Stock Returns. The composition of the number of audit committees in the companies studied has met the minimum requirements set by the Financial Services Authority (OJK) based on POJK Number 55 / POJK.04 / 2015 concerning the establishment and guidelines for the implementation of audit committee work. These results assume that currently, it is indicated that the audit committee is still not maximal in enforcing compliance with business entities in the plantation sector following statutory regulations. So that during this research period, there were still plantation companies that, in their business operation practices, did not heed the provisions of the law, thus potentially violating legal obligations. Conformity to legal obligations is one of the aspects that affect the going concern company's that if in the long term this condition occurs repeatedly or continues, it has the potential to endanger the company's business operations so that it will reduce shareholder returns.

The results of testing the fifth hypothesis indicate that the CSRD variable can moderate the relationship between ROE and Stock Return. These results illustrate that CSRD disclosure by companies will increase stock returns. The implementation of CSRD in plantation sub-sector companies is quite orderly, with an average CSRD disclosure of plantation sub-sector companies above 50%. This result implies that although some plantation sub-sector actors have neglected the environment and society in their business practices. However, they still realize that the guarantee of growth and corporate value sustainability will only be achieved if business entities pay attention to economic, social, and environmental aspects in harmony. CSRD helps companies strengthen the confidence of investors further to invest their capital in obtaining maximum returns. CSR activities are essential for plantation sub-sector companies because plantation sub-sector companies' business activities are near related to environmental damage. The role of CSRD in strengthening the effect of ROE on stock returns proves that external parties in assessing the company do not only look at the financial aspect but also pay attention to the disclosure of corporate activities and social responsibility.

## 5. Conclusions

Good corporate governance is when the company's internal control and supervision system are running effectively. Policies carried out by company management by implementing social responsibility are proven to help management increase company value. Good corporate governance and the implementation of corporate social responsibility will increase the confidence of investors and all parties related to the company. This study confirms that trust is the main asset for the company to increase the value of the company's business entity so that it provides a signal for investors to invest in the company. The high interest of investors to invest will increase the company's stock price and the value of the company's equity, which will increase its stock return.

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