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The Effect of CSR and Liquidity on Stock Returns with Profitability as an Intervening Variable in Banking Companies for the Period 2019 – 2023

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ABSTRACT: This study to analyze the influence of Corporate Social Responsibility (CSR) and liquidity on stock returns with profitability as an intervening variable in banking companies in Indonesia during the period 2019-2023. Although the company's liquidity ratios are used to assess liquidity, the impact of CSR is measured by examining publicly available corporate social responsibility reports. Return on Assets (ROA), the intervening variable, and stock returns, the dependent variable, are used to calculate profitability. The type of data used is quantitative data. The data source utilized in this study is secondary data in the form of financial reports published on the official websites of the banking companies. Purposive sampling is employed to select the banking companies that serve as the research sample. The analytical method used is multiple linear regression with intervening variables to examine the direct and indirect effects among these variables. The results show that partially, CSR has a significant positive effect on stock returns, while the level of liquidity does not have a significant effect. Profitability is proven to be a significant intervening variable in the relationship between stock returns and CSR but not significant in the relationship between stock returns and liquidity. This study implies that banking companies in Indonesia need to pay more attention to the implementation of CSR to enhance financial performance and company value.

KEYWORDS: CSR, Liquidity, Stock Return, Profitability, Banking

1. INTRODUCTION

The capital market plays a significant role in the economic growth of a country by providing funds for company operations and investment opportunities for investors. One method for companies to raise funds is through the capital market. For investors, both individuals and corporations, the capital market serves as an investment platform that offers returns in the form of dividends and capital gains.

Corporate Social Responsibility (CSR) and liquidity is crucial factors influencing stock returns and profitability in banking companies. CSR represents a company's commitment to supporting sustainable economic development by improving the quality of life of its employees, their families, local communities, and society at large. Liquidity refers to a company's ability to meet its short-term obligations. The capital market functions as a medium for companies to obtain operational funds and for investors, it offers promising investment opportunities with dividends and capital gains. According to Munir (1996), the capital market is a place where new securities are bought and sold. It plays a significant role in providing funds for companies (Permata & Ghoni, 2019). Stocks are often chosen as investment instruments because they offer attractive returns and are easily traded (Andes et al., 2017). Stocks represent ownership in a company and generate returns in the form of dividends and capital gains (Rahmadewi & Abundanti,2018; Suriyani & Sudiarta,2018). Investors' primary goal is to maximize their stock returns, which are influenced by investment risk and the company's performance.

Stock returns consist of realized returns, calculated from historical data, and expected returns anticipated in the future (Handayati & Zulyanti, 2018). Components of stock returns include capital gains and current income (Anisa, 2015). Company liquidity, measured by ratios such as the Current Ratio (CR), is essential for assessing short-term company performance and influencing investor interest (Ginting, 2017; Nurjaya et al., 2021). High liquidity indicates a company's ability to meet short-term obligations, thereby increasing investor confidence and stock prices. Previous research has shown a relationship between CSR, liquidity, and stock returns. CSR can enhance investor confidence and product sales, serving as a competitive advantage (Sumarna & Muzakir, 2022). Some studies show that liquidity, measured by CR, positively affects stock returns, although there are findings of negative or insignificant relationships (Rochim & Ghoniyah, 2017; Chandra & Darmayanti, 2022).

This study examines the influence of CSR and liquidity on stock returns by measuring Return on Assets (ROA) in banking companies in Indonesia. The banking sector is crucial due to its significant impact on national economic stability. Understanding the effects of CSR and liquidity can provide investors with insights for making investment decisions in the banking sector. The study aims to analyze the influence of CSR and liquidity on stock returns with profitability as an intervening variable in banking companies in Indonesia during the period 2019-2023. While the company's liquidity ratios are used to analyze liquidity, published corporate social responsibility reports are used to assess the impact of CSR. Return on Assets (ROA), the intervening variable, and stock returns, the dependent variable, are used to calculate profitability. This study uses quantitative data, secondary data sources comprising financial reports published on the official websites of banking companies. The research sample is selected using purposive sampling. The analytical method used is multiple linear regression with intervening variables to test the direct and indirect effects among these variables

2. LITERATUR REVIEW

2.1 *Arbitrage Pricing Theory (APT)*

Ross introduced Arbitrage Pricing Theory (APT) in 1976, based on the assumption that two investments with identical characteristics cannot be sold at different prices, adhering to the law of one price. If sold at different prices, arbitrage can be performed by purchasing the cheaper asset and selling it at a higher price, yielding risk-free profit. The APT model shows that a number of factors can affect an asset's return. Stock return motivates investors as it compensates for the investment risk. The theories explaining the rate of return on securities are the Capital Asset Pricing Model (CAPM) and Arbitrage Pricing Theory (Riadi et al., 2022).

2.2 *Stocks*

Stocks is securities that signify ownership in a corporation. They can be categorized into several types, such as common stocks and preferred stocks. Common stocks give holders the right to claim profits or losses of the company, while preferred stocks provide fixed returns and priority in asset distribution if the company undergoes liquidation (Batubara & Purnama, 2018)

2.3 *Stocks Return*

Stock return is the level of profit enjoyed by investors from an investment. This return can consist of current income and capital gains. Current income refers to periodic earnings such as dividends, while capital gain is the profit obtained from the difference between the selling price and the purchase price of stocks (Hartono, 2015).

2.4 *Corporate Social Responsibility (CSR)*

CSR is a company's commitment to enhancing community welfare through business practices and resource contributions. In Indonesia, corporate social responsibility controlled by Law No. 40 of 2007 and Government Regulation No. 47 concerning Social and Environmental Responsibility of Limited Liability Companies. CSR can improve the company's image and investor confidence, which in turn can increase the company's value (Kotler & Nancy, 2005)

2.5 *Liquidity*

Liquidity is the ability of a company to meet its short-term obligations. Liquidity ratios, such as the Current Ratio (CR), measure a company's ability to use its current assets to pay short-term debts. High liquidity indicates that a company can fulfill its short-term obligations, thereby increasing investor confidence and stock prices (Darminto & Julianty, 2002).

2.6 *Profitability*

Profitability is the ability of a company to generate profits using all available capital. Profitability ratios, such as Return on Assets (ROA) and Return on Equity (ROE), measure the effectiveness of a company in using its assets and capital to produce earnings. High profitability attracts investors because it demonstrates the company's ability to generate high returns from the invested capital (Brigham & Houston, 2009).

2.7 *Previous Research on CSR, Liquidity, and Profitability*

Sang Jun Cho (2019) showed that CSR activities reduce stakeholder conflicts and enhance corporate reputation, positively impacting financial performance in both the short and long term. Zhang (2017) found that aggregate CSR ratings negatively affect stock returns, while Ender and Brinckmann (2019) noted that CSR news significantly impacts stock prices on select days.

Simanjuntak, Sadalia, and Muda (2020) discovered that high profitability allows for effective CSR implementation, improving corporate image and attracting investors. Rahmatika and Dadan (2017) indicated that Return on Assets (ROA) strengthens the relationship between CSR and company value. Aghaeea and Kazempour (2013) highlighted a significant linear relationship between inflation and profitability ratios (ROA and ROE), and Nurhakim, Yunita, and Iradianty (2016) demonstrated that ROA and Net Profit Margin (NPM) significantly affect stock returns in the pharmaceutical sector. Szegedi, Khan, and Lentner (2020) observed a significant increase in overall CSR disclosure in Pakistani banks, suggesting further potential for improvement. Collectively, these studies suggest that CSR, liquidity, and profitability are crucial factors influencing stock returns, particularly in the banking industry. Based on these findings, the hypothesis in this study is that CSR, liquidity, and profitability influence stock returns.

3. METHOD

This study was conducted on bank listed on the Indonesia Stock Exchange (IDX) over a five-year period from 2019 to 2023. The objective of this research is to analyze the impact of Corporate Social Responsibility (CSR) and Liquidity on Stock Returns with Profitability as an intervening variable. The population includes all banking companies listed on the IDX that meet specific criteria, such as having complete financial statements during the study period and reporting CSR activities. A sample of 15 banks was selected using purposive sampling. Data sources include annual financial reports, sustainability reports, and stock market data from the IDX website (www.idx.co.id).This quantitative study focuses on structural analysis. The variables used are stock return (dependent), CSR and Liquidity (independent), and Profitability (intervening). Variables are measured using financial ratios: CSR ratio adapted from GRI Standards, Current Ratio for liquidity, ROA for profitability, and stock return based on stock price changes. Data analysis employs multiple linear regression with SPSS software to examine relationships between variables. Descriptive statistics provide an overview of the data, including maximum, minimum, mean, and standard deviation. Classical assumption tests (normality, multicollinearity, autocorrelation, and heteroscedasticity) ensure unbiased data analysis. Hypothesis testing is performed using multiple linear regression through the coefficient of determination (R2), F-test, and t-test to assess the influence of independent variables on the dependent variables both simultaneously and individual

4. RESULT AND DISCUSSION

4.1 *Research Data*

This research was conducted on conventional commercial banks in Indonesia listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, using 15 banking companies as samples.

.4.2 *Descriptive Statistical Tests*

Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation
CSR	67	,50	,13	,63	,3745	,14038
Likuiditas	67	2,38	,00	2,38	,8743	,55253
Profitabilitas	67	6,63	-1,87	4,76	1,8678	1,28530
Return Saham	67	,19	-,11	,08	,0015	,02991
Valid N (listwise)	67					

Figure 1. Descriptive Statistics

Corporate Social Responsibility (CSR): The CSR variable has a minimum value of 0.13 and a maximum of 0.63, showing a range of 0.50. The mean value is 0.3745 with a standard deviation of 0.14038. This indicates that CSR values are moderately varied around the mean, reflecting a relatively consistent distribution of data. The liquidity variable ranges from 0.00 to 2.38, with a mean of 0.8743 and a standard deviation of 0.55253. The high variability suggests that liquidity data is widely dispersed from the mean, indicating significant fluctuation. Profitability values range from -1.87 to 4.76, with a mean of 1.8678 and a standard deviation of 1.28530. The large range and high standard deviation imply considerable variability and wide dispersion of profitability data. Stock return ranges from -0.11 to 0.08, with a mean of 0.0015 and a standard deviation of 0.02928. The low range and standard deviation suggest that stock return values are clustered closely around the mean, indicating high consistency in the data.

Figure 2. Increase CSR period 2019-2023

The CSR graph from 2019 to 2023 shows a significant upward trend in the companies' commitment to social responsibility. In 2019, the CSR value was at 0.13. This value gradually increased each year.In 2020, the CSR value rose to 0.18. Although the increase was not substantial, it indicated a growing commitment to social responsibility by the companies.Then, in 2021, the CSR value further increased to 0.30. This increase was more significant compared to the previous year, indicating that companies' were increasingly enhancing their social responsibility activities.In 2022, the CSR value saw a sharper rise to 0.45. This demonstrated that companies were becoming more aware of the importance of social responsibility and were making greater efforts to enhance their contributions in this area.The peak was reached in 2023, with the CSR value hitting 0.63. This increase reflected a very high level of commitment to social responsibility from the companies. With the value nearly doubling from that of 2021, it indicated that companies were increasingly integrating social responsibility into their business strategies.Overall, the CSR graph from 2019 to 2023 shows a significant upward trend, reflecting a growing and strong commitment from companies to fulfill their social responsibilities.

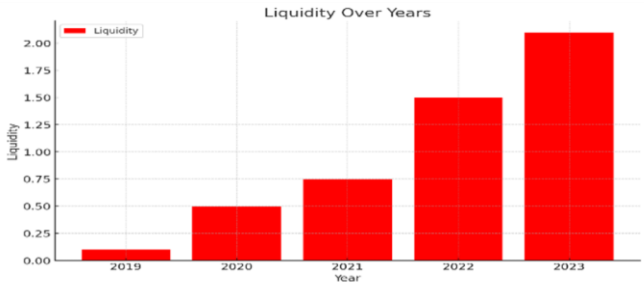

Figure 3. Increase Liquidity period 2019-2023

The liquidity graph from 2019 to 2023 shows a significant upward trend in the companies'ability to meet short-term obligations. In 2019, the liquidity value was at 0.15. This initial value was quite low, indicating limited capability to cover immediate liabilities.In 2020, the liquidity value rose to 0.38. Although the increase was not substantial, it indicated an improvement in liquidity managemen and a growing ability to handle short-term financial obligations.In 2021, the liquidity value further increased to 0.68. This marked a more significant improvement compared to the previous year, suggesting that the companies were making better strides in managing their liquid assets.The liquidity value saw a sharper rise in 2022, reaching 1.08. This demonstrated a considerable enhancement in the companies' financial stability and their capacity to meet short-term liabilities efficiently.The peak was reached in 2023, with the liquidity value hitting 2.12. This significant increase demonstrated the companies' extremely high level of liquidity management. With the value more than doubling from that of 2021, it indicated that companies' were increasingly improving their financial strategies to ensure robust liquidity. Overall, the liquidity graph from 2019 to 2023 shows a significant upward trend, reflecting a growing and strong capability from companies to manage their short-term financial obligations effectively.

4.3 Classical Assumption Tests

The results of the Kolmogorov- Smirnov statistical test with Monte Carlo significance values are presented in Table Normality Test Results for Equation 1 (Variable X Against Z) and Equation 2 (Variable X Z Against Y). The residual variable is considered normally distributed if the significance level is greater than 0.05 or 5% (Ghozali, 2018).

Table 4. Normality Test Results for Equation 1 (Variable X Against Z)

Method	Table Significance (Monte Carlo)	Conclusion
Kolmogorov-Smirnov	4.4	0.865
Histogram	4.5	
P-Plot	4.6	

The Monte Carlo significance value from the Kolmogorov-Smirnov test is 0.865, which is greater than 0.05, indicating that the residual data is normally distributed. The histogram shows a symmetric bell curve with a slight skew to the right, and the P-Plot shows points scattered around the diagonal line, also indicating normal distribution.

Table 5. Normality Test Results for Equation 2 (Variables X and Z Against Y)

Method	Table Significance (Monte Carlo)	Conclusion
Kolmogorov-Smirnov	4.7	0.274
Histogram	4.8	
P-Plot	4.7	

The Monte Carlo significance value from the Kolmogorov-Smirnov test is 0.274, which is greater than 0.05, indicating that the residual data is normally distributed. The histogram shows a symmetric bell curve with a slight skew to the right, and the P-Plot shows points scattered around the diagonal line, indicating normal distribution.

4.5 *Multicollinearity Tests*

The results of the multicollinearity test are presented Equation 1 (Variable X Against Z) and Equation 2 (Variable X Z Against Y). A regression model is considered free from multicollinearity if the Tolerance value is greater than 0.10 and the VIF value is less than 10 (Ghozali, 2018).

Table 6. Equation 1 Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
1(Constant)		
CSR	0,606	1,651
Likuiditas	0,606	1,651

The VIF value is less than 10.00 and the Tolerance value is greater than 0.1, indicating that there is no multicollinearity in the data.

Table 7. Equation 2 Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
1(Constant)		
CSR	0,606	1,651
Likuiditas	0,606	1,651

The VIF value is less than 10.00 and the Tolerance value is greater than 0.1, indicating that there is no multicollinearity in the data.

4.6 *Heteroscedasticity*

The results of the heteroscedasticity test are presented for Equation 1 (Variable X Against Z) and Equation 2 (Variable X Z Against Y) A regression model is considered free from heteroscedasticity if the scatterplot shows a dispersed pattern (Ghozali, 2018).

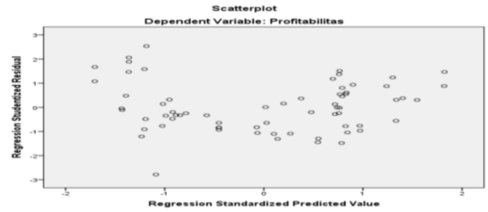

Figure 8. Equation 1Heteroscedasticity Test Scatterplot

If there is a distributed pattern of dots on the scatterplot, the regression model passes the heteroscedasticity test. The scatterplot for Equation 1 above indicates that there is no heteroscedasticity in this study because the points are evenly distributed.

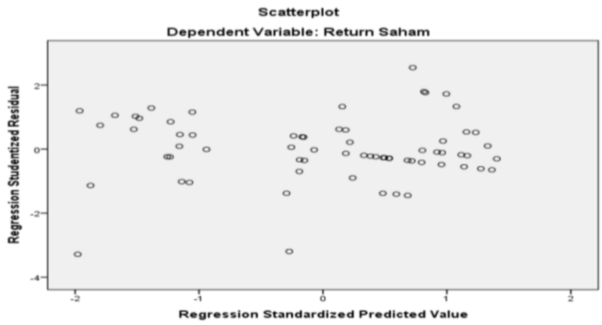

Figure 9. Equation 1Heteroscedasticity Test Scatterplot

A regression model passes the heteroscedasticity test if the scatterplot shows a dispersed pattern of points. Based on the scatterplot for Equation 2 above, this study does not exhibit heteroscedasticity as the points are well dispersed.

4.7 *Autocorrelation*

The results of the autocorrelation test are presented for Equation 1 (Variable X Against Z) and Equation 2 (Variable X Z Against Y) A regression model is considered free from autocorrelation if the Durbin-Watson value is close to 2 (Ghozali, 2018).

Table 10. Equation 1 Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,567[a]	,322	,311	1,05723917	1,736

The Durbin-Watson value obtained is 1.736. The upper critical value (dU) is 1.7092, and 4-dU is 2.2908. Since 1.7092 < 1.736 < 2.2908, it can be concluded that there is no autocorrelation in the residuals of this regression model

Table 11. Equation 2 Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,400[a]	,160	,120	,02806	2,016

The obtained Durbin-Watson value is 2.016. With the critical values dU at 1.7092 and 4-dU at 2.2908, it can be concluded that 1.7092 < 2.016 < 2.2908. This indicates that there is no autocorrelation in the residuals of this regression model.

4.8 *Path Analysis*

Unstandardized analysis Coefficient and Sig

The analysis of Unstandardized Coefficients and Significance for CSR, Liquidity, and Profitability is presented in Equations 1, 2, and 3. The mediation test is used to identify intervening variables and understand the indirect effect of independent variables on the dependent variable and an effect is considered significant if the p-value is less than 0.05 (Ghozali, 2009).

Table 12. Equation 1 (Variable X Against Y) Unstandardized Coefficient and Sig Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0,045	0,018		2,555	0,013
CSR	-0,057	0,032	-0,266	-1,781	0,080
Likuiditas	-0,025	0,008	-0,470	-3,147	0,003

In Equation 1, the analysis of Unstandardized Coefficients and Significance shows that Corporate Social Responsibility (CSR) has a coefficient of -0.057 with a significance value of 0.080, which is greater than 0.05. Therefore, CSR does not have a significant effect on Stock Return. In contrast, the Current Ratio has a coefficient of -0.025 with a significance value of 0.003, which is less than 0.05, indicating a significant effect on Stock Return. Thus, only Liquidity has a significant impact on Stock Return, while CSR does not.

Table 13. Equation 2 (Variable X Against Z) Unstandardized Coefficient and Sig Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1,415	0,805		1,758	0,083
CSR	1,247	1,456	0,136	0,857	0,395
Likuiditas	-0,017	0,370	-0,007	-0,046	0,964

In Equation 2, the analysis of Unstandardized Coefficients and Significance shows that Corporate Social Responsibility (CSR) has a coefficient of 1.247 with a significance value of 0.395, which is greater than 0.05. Therefore, CSR does not have a significant effect on Return On Assets (ROA). Similarly, the Current Ratio has a coefficient of -0.017 with a significance value of 0.964, which is greater than 0.05, indicating no significant effect on ROA. Thus, neither CSR nor Liquidity has a significant impact on Profitability in this equation.

Table 14. Equation 3 (Variable X through Z to Y) Unstandarized Coefficient dan Sig Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0,040	0,018		2,217	0,030
CSR	-0,061	0,032	-0,288	-1,930	0,058
Likuiditas	-0,025	0,008	-0,469	-3,161	0,002
Profitabilitas	0,004	0,003	0,161	1,379	0,173

In Equation 3, the analysis of Unstandardized Coefficients and Significance shows that after including the variable Return On Assets (ROA) in the analysis, ROA does not have a significant effect on Stock Return, with a significance value of 0.173. Additionally, the effect of Corporate Social Responsibility (CSR) on Stock Return remains insignificant after considering ROA, with a significance value of 0.058. This means that changes in CSR do not significantly affect Stock Return after accounting for the impact of ROA. However, the Current Ratio shows a significant effect on Stock Return after including ROA in the model, with a significance value of 0.002 (less than 0.05). This indicates that changes in the Current Ratio have a substantial impact on Stock Return.

4.9 *Hypotesis Test*

Based on the path coefficients results in tables 12, 13, and 14, the analysis of the research hypotheses for the Indonesian banking industry sector for the period 2019-2023 can be summarized as follows:

Table 15. partial test Result

Hypotesis	Causal relationship	Original Sample (O)	T-Statistics	P-Value	Results
H1	CSR -> Stock Return	-0.1781	-1.781	0.080	Not accepted
H2	Liquidity -> Stock Return	-0.3147	-3.147	0.003	Accepted
H3	CSR -> Profitability	0.0857	0.857	0.395	Not accepted
H4	Liquidity -> Profitability	-0.0046	-0.046	0.964	Not accepted
H5	Profitability -> Stock Return	0.1379	1.379	0.173	Not accepted
H6	CSR -> Stock Return (via Profitability)	-0.1930	-1.930	0.058	Not accepted
H7	Liquidity -> Stock Return (via Profitability)	-0.3161	-3.161	0.002	Accepted

Path coefficients show T-Statistics results of -1.781 ≤ 1.96 and p-value of 0.080 ≥ 0.05, indicating that Corporate Social Responsibility (CSR) does not have a significant effect on Stock Return. Path coefficients show T-Statistics results of -3.147 > 1.96 and p-value of 0.003 < 0.05, indicating that Liquidity has a significant effect on Stock Return. Path coefficients show T-Statistics results of 0.857 ≤ 1.96 and p-value of 0.395 ≥ 0.05, indicating that CSR does not have a significant effect on Profitability. Path coefficients show T-Statistics results of -0.046 ≤ 1.96 and p-value of 0.964 ≥ 0.05, indicating that Liquidity does not have a significant effect on Profitability. Path coefficients show T-Statistics results of 1.379 ≤ 1.96 and p-value of 0.173 ≥ 0.05, indicating that Profitability does not have a significant effect on Stock Return. Path coefficients show T-Statistics results of -1.930 ≤ 1.96 and p-value of 0.058 ≥ 0.05, indicating that CSR does not have a significant effect on Stock Return through Profitability. Path coefficients show T-Statistics results of -3.161 > 1.96 and p-value of 0.002 < 0.05, indicating that Liquidity has a significant effect on Stock Return through Profitability.

4.9 *Coefficient of Determination*

The results of the coefficient determination test are presented for Equation 1 (Variables X1 and X2 against Y), Equation 2 (Variables X1 and X2 against Z), and Equation 3 (Variables X1, X2, and Z against Y)

Table 15. Coefficient of Determination Equation 1 , 2 and 3

Equation	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Equation 1	1	,367[a]	0,135	0,108	0,02826
Equation 2	1	,141[a]	0,020	-0,011	1,29220
Equation 3	1	,400[a]	0,160	0,120	0,02806

Based on the results of the coefficient of determination test, Equation 1 (Variables X1 and X2 against Y) has an R Square of 0.135 and an Adjusted R Square of 0.108, meaning that variables X1 and X2 influence Y by 13.5%. Equation 2 (Variables X1 and X2 against Z) has an R Square of 0.020 and an Adjusted R Square of -0.011, meaning that variables X1 and X2 influence Z by only 2%. Equation 3 (Variables X1, X2, and Z against Y) has an R Square of 0.160 and an Adjusted R Square of 0.120, meaning that variables X1, X2, and Z influence Y by 16%.

5. *Impact of Corporate Social Responsibility (CSR) and Liquidity on Stock Return with Profitability as an Intervening*

Corporate Social Responsibility (CSR) has no significant partial effect on Stock Return in the Indonesian banking industry sector. Conversely, Liquidity, as measured by the Current Ratio, has a significant partial effect on Stock Return in the same sector. Additionally, CSR does not have a significant partial effect on Profitability, measured by Return on Assets (ROA), and similarly, the Current Ratio does not significantly affect ROA. Profitability, as measured by ROA, also does not have a significant partial effect on Stock Return. On a simultaneous basis, CSR does not significantly influence Stock Return through ROA, whereas the Current Ratio has a significant simultaneous effect on Stock Return through ROA in the Indonesian banking industry sector. This analysis demonstrates that the Current Ratio significantly impacts Stock Return both directly and indirectly through ROA, while CSR does not significantly affect Stock Return or ROA.

The path coefficients indicate that CSR does not have a significant effect on Stock Return (T-Statistic: -1.781 ≤ 1.96, p-value: 0.080 ≥ 0.05). This finding aligns with previous studies by Zhang (2017) and Rahmatika and Dadan (2017), which also found that CSR does not always significantly impact company financial performance. The lack of a significant impact can be attributed to several factors. Investors may not view CSR activities as a primary factor in their investment decisions, focusing instead on direct financial indicators such as net profit, dividends, and revenue growth (Dewi, 2015). Furthermore, CSR activities in banking companies may not be effectively integrated with core business strategies, leading to unclear reflection of CSR benefits in financial performance (Goukasian & Whitney, 2007). According to Rahmatika and Dadan (2017), companies without sufficient profits cannot implement CSR effectively, thereby not directly influencing company value. The evolving understanding and appreciation of CSR in Indonesia also contribute to its insignificant impact on Stock Return. Despite companies engaging in CSR activities, the positive effects are not fully felt by stakeholders, including investors (OJK Regulation No. 51/POJK.03/2017).

Path coefficients reveal that Liquidity has a significant effect on Stock Return (T-Statistic: -3.147 > 1.96, p-value: 0.003 < 0.05). This result is consistent with the study by Nurhakim, Yunita, and Iradianty (2016), which found that financial variables, including liquidity, significantly influence stock performance. High liquidity indicates that a company has sufficient assets to meet shortterm obligations, reducing financial risk and enhancing investor confidence (Investopedia, 2022). When investors are assured of a company's ability to manage its liquidity, they are more likely to invest, ultimately increasing stock returns. Adequate liquidity also enables companies to seize profitable investment opportunities without financial constraints, thereby boosting profitability and stock returns (Bordeleau & Graham, 2010).

Path coefficients show that CSR does not significantly impact Profitability (T-Statistic: 0.857 ≤ 1.96, p-value: 0.395 ≥ 0.05). The R Square value of CSR and liquidity on profitability is 0.020, meaning that other factors not covered in this study account for 98% of the variability in ROA, leaving CSR and liquidity to explain only 2% of the variability. This finding is consistent with Zhang (2017), who noted that CSR might not have a short-term financial impact but could have long-term benefits. Effective CSR implementation requires significant resources and long-term strategies, which many companies might lack (Wu, Dluhošová, & Zmeškal, 2021). The benefits of CSR, such as enhanced reputation, customer loyalty, and risk reduction, typically emerge over the long term (Yan, Li & Zhu, 2022). Some companies might prioritize short-term profit goals over CSR initiatives that require substantial investment (Berens, van Riel & van Bruggen, 2005).

The hypothesis test results indicate that Liquidity does not significantly affect Profitability (T-Statistic: -0.046 ≤ 1.96, p-value: 0.964 ≥ 0.05). The correlation coefficient between CSR and liquidity and profitability is 0.020, indicating that these variables account for a mere 2% of the variability in profitability. This aligns with the findings of Zhang (2017) and Simanjuntak, Sadalia, and Muda (2020), which indicate that liquidity does not directly impact short-term financial performance. Effective liquidity management requires mature strategies and adequate resources, which some companies might lack (Charitou, Lois & Santoso, 2012). The benefits of liquidity on profitability might take longer to materialize, typically emerging through long-term financial stability and investment opportunities (Eljelly, 2004). Some companies might focus more on enhancing profitability through operational efficiency and revenue growth rather than intensive liquidity management (García & Martínez, 2007).

The hypothesis test results show that Profitability does not significantly impact Stock Return (T-Statistic: 1.379 ≤ 1.96, p-value: 0.173 ≥ 0.05). The R Square value of profitability, liquidity, and CSR on stock return is 0.160, meaning that these factors only account for 16% of the variation in stock return. This is consistent with Zhang (2017) and Simanjuntak, Sadalia, and Muda (2020), which found that profitability does not significantly influence short-term financial performance. Various complex external and internal factors often affect the relationship between profitability and stock return, making the impact not always immediately visible (Dechow, Sloan & Zha, 2014). The effect of profitability on stock return might take longer to become apparent, as high profitability typically enhances investor confidence and financial stability over the long term (Penman & Zhang, 2002). Some companies might focus on other strategies, such as business expansion or product innovation, to improve stock returns rather than solely relying on increased profitability (Chava & Purnanandam, 2010).

Examination of path coefficients shows that CSR does not significantly impact Stock Return through Profitability (T-Statistic: -1.930 ≤ 1.96, p-value: 0.058 ≥ 0.05). This finding aligns with Zhang (2017), who found that the effect of CSR on stock returns can vary depending on the company context and other influencing factors in financial markets. Although there is a relationship between CSR and financial performance, the effect is not always consistently positive and can be influenced by numerous external factors (Zhang, 2017). According to Wibisono (2007), several theoretical reasons explain why CSR might not significantly impact stock returns through profitability in the banking context in Indonesia. Banks often focus more on risk management, regulatory compliance, and market strategies that directly affect financial performance. The dynamics of the financial market in Indonesia can influence how investors evaluate CSR in their investment decisions (Fitriani & Fitriati, 2013). Therefore, when designing CSR strategies, companies must consider how CSR can add value directly or through other mechanisms that impact financial performance, especially in a highly regulated and competitive banking sector (McWilliams & Siegel, 2001).

Examination of path coefficients shows that Liquidity significantly impacts Stock Return through Profitability (T-Statistic: -3.161 > 1.96, p-value: 0.002 < 0.05). This finding is consistent with previous research by Nurhakim, Yunita, and Iradianty (2016), indicating that liquidity is a significant factor in influencing financial performance and stock returns in the banking industry. Companies with high liquidity tend to generate better stock returns both directly and through the profitability derived from their assets (Diamond & Rajan, 2001; Myers & Rajan, 1998). High liquidity can provide a competitive advantage for banking companies by enabling them to leverage investment opportunities or better navigate market downturns. It also increases investor confidence and strengthens the company's financial position in the long term. Therefore, this finding suggests that banking companies should focus on liquidity management as part of their financial and investment strategies to effectively and sustainably improve stock return performance (Kunt & Detragiache, 2002).

This study concludes that CSR does not significantly impact stock returns or profitability in the Indonesian banking sector for the period 2019-2023. Conversely, liquidity significantly influences stock returns both directly and through profitability measured by ROA. These findings underscore the importance of effective liquidity management in improving stock performance. High liquidity levels indicate that banks can meet their short-term obligations, reduce financial risk, and enhance investor confidence, which in turn boosts stock returns.Banking companies should focus on robust liquidity management strategies to capitalize on investment opportunities and ensure financial stability. Additionally, while CSR does not show a direct impact on stock returns or profitability in this study, its integration into business strategies should not be neglected. Effective CSR implementation can improve the company's reputation, customer loyalty, and risk management over the long term, contributing to sustainable financial performance.Future research should expand the sample size and study period to obtain more representative results and explore additional variables such as macroeconomic factors, technological innovations, and government policies that may influence stock returns and profitability. Examining these factors can provide a more comprehensive understanding of the dynamics affecting the banking sector's financial performance.

CONCLUSIONS

This study concludes that Corporate Social Responsibility (CSR) does not have a significant impact on Stock Returns or Profitability in the Indonesian banking industry for the period 2019-2023. On the other hand, Liquidity has a significant impact on Stock Returns, both directly and through Profitability measured by Return on Assets (ROA). This emphasizes the importance of effective liquidity management in improving the stock performance of banking companies. Therefore, banking companies should focus on good liquidity management strategies and enhance the integration of CSR into business strategies to achieve better financial performance. Future research is expected to increase the sample size and study period, and to examine other variables such as macroeconomic factors, technological innovations, and government policies that may influence Stock Returns and Profitability

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