THE EFFECT OF CAPITAL STRUCTURE AND DIVIDEND POLICY ON STOCK RETURNS WITH CORPORATE SOCIAL RESPONSIBILITY AS MODERATION VARIABLE

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Abstract: Companies whose primary source of funding is debt. This is because it can increase the company's risk; retained earnings might be used as an alternative to reduce this risk. The utilization of retained earnings did not receive investor approval. The use of retained earnings will result in a reduction in dividend payments. This decreases investor interest, which in turn reduces the firm's stock return; hence, the company must adopt the most advantageous capital structure and dividend policy decisions in order to benefit all parties. In this age of globalization, investors rely their investment decisions not only on a company's financial statements, but also on its ability to preserve commercial continuity. Investors can determine this by examining the disclosure of corporate social responsibility. The purpose of this study was to determine the impact of capital structure and dividend policy on stock returns in the manufacturing sector using corporate social responsibility as a moderating variable. This study used a quantitative associative method. This study's sample was selected using the approach of purposive sampling, and included 32 manufacturing businesses listed on the Indonesia Stock Exchange that were able to distribute dividends in 2018-2020. Descriptive statistics, classical assumption tests, Moderated Regression Analysis (MRA), Significance Test, and Determination Test were utilized for data analysis. According to the findings of this study, the capital structure variable has a negative impact on stock returns. The association between capital structure and stock returns is bolstered by increased disclosure of corporate social responsibility. The dividend policy affects stock returns positively. However, the rise in corporate social responsibility has little effect on the correlation between dividend policy and stock returns.

Keywords: capital structure, dividend policy, CSR, moderation, capital stock

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Introduction

Budget availability has a significant impact on investment decisions. The company's budget can be obtained both internally and externally. Budget accessibility is impacted by capital structure choices (Setiyono and Amanah, 2016). Capital structure considerations are a significant issue for all companies. Because errors in capital structure decisions can have far-reaching consequences for the company. This can occur if management decides to fund the company with additional debt, which will increase the company's burden (Fajriati, 2017). Using retained earnings is one of the funding options organizations can select to mitigate the risk of payment unpredictability. Investors have not responded well to the retained earnings-based funding source because it will impact the company's dividend policy. The dividend policy is a matter pertaining to the utilization of shareholder-owned funds. Using retained earnings as a source of finance will result in a reduction in dividend payments. Investors regard the decline in the dividend payment negatively. This is due to the fact that the distribution of dividends can give investors with an indication of the company's level of opportunity in the present period and into the future (Setiawati and Yesisca, 2016). As a result, investors generally prefer dividend increases. The increase in dividends issued by the company signals to investors that the company is in a profitable position. Increasing dividend distribution also reduces investment uncertainty and increases the certainty of stock returns (Adrianto,.et al, 2021). The disparity between management and investor interests might result in a decline in the stock price. This can undoubtedly contribute to declining stock returns. Stock return is the return on shares investors receive in exchange for their capital. Returns on stocks can be realized as capital gains and dividends. The difference between the selling price and the acquisition price of shares is the source of capital gains, which are a source of stock returns gained by investors (Pandaya, .et al, 2020).

Disclosure of corporate social responsibility can encourage investors to invest their funds, strengthen the relationship between stakeholders, and garner the support of the surrounding community. As a result, disclosure of corporate social responsibility not only demonstrates the company's concern for investors, but also for the wider community and environment. This is evident when the firm is unable to issue dividends to investors, therefore, corporate social responsibility will signal to investors that the company is still in excellent shape even if it is unable to distribute dividends (Ni'mah, 2017). It is envisaged that the disclosure of corporate social responsibility will enhance the public's perception of the corporation. Good public perception of the business, which will increase client loyalty (Purnaningsih, 2018). According to Lindayani and Dewi (2016), capital structure has a beneficial impact on stock returns. Optimizing high amounts of debt, such as by controlling assets, can enhance sales, which can increase profitability. Information on high profit generation can raise investor interest in investing. Setiyono and Amanah (2016) also discovered similar outcomes in their investigation. However, it has been argued that the increase in debt utilized as working capital will increase the company's risk, resulting in a decline in investor interest in investing its cash (Fajriati, 2017). Disclosure of corporate social responsibility is one way the firm will attempt to build investor trust in the company's ability to fulfill its obligations. This is due to the fact that corporate social responsibility disclosures can give evidence of a company's great reputation and solid financial health (Widiawati and Linawati, 2022). However, according to Sari (2017), corporate social responsibility cannot mitigate the impact of capital structure on stock returns. This is due to the fact that corporate social responsibility disclosures in Indonesia are still insufficient, therefore investors do not consider disclosures. corporate social responsibility as an investment decision-making factor.

The movement of stock returns is caused by the difference in interests resulting from the capital structure and dividend policy decisions; consequently, the company must make prudent capital structure and dividend policy decisions. In the era of globalization, investment decisions are based not only on financial statements, but also on business continuity; therefore, it is hoped that the disclosure of corporate social responsibility in the company's annual report would be taken into account by potential investors. Therefore, scholars are interested in performing additional research by updating and creating new variables utilizing corporate social responsibility as a moderating variable. The title of this research is "The Effect of Capital Structure and Dividend Policy on Stock Returns with Corporate Social Responsibility as Moderation Variable".

Method

This research uses an associative quantitative approach. Researchers only use secondary data in the form of audited financial statements of manufacturing companies in 2018-2020. The data in this study was obtained by accessing the official website of the Indonesia Stock Exchange in www.idx.com. The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange in 2018 – 2020. The samples in this study were selected using purposive sampling techniques, so that a sample of 32 manufacturing companies was obtained. The independent variables in this study are capital structure and dividend policy, dependent variable is stock returns and moderation variables in this study, namely corporate social responsibility. The analysis technique in this study used Descriptive Satatistic Test, Classical Assumption Test, Moderated Regression Analylis (MRA), Partial Significance Test and Determination Test.

Result and Discussion

- **Descritive Statical Test**

  Descriptive Statistical Analysis is an analysis used to describe the value of a data seen from the minimum, maximum, mean and standard deviation values.

Tabel 1. Descritive Statiscal Test Result

Variabale	N	Minimum	Maximum	Mean	Std. Deviation
Capital Structure	96	0,1	1,31	0,4854	0,34418
Dividend Policy	96	0,02	1,1	0,4775	0,27985
Stock Return	96	-0,51	0,77	0,0907	0,24305
CSR	96	0,14	0,48	0,3125	0,07678

Source: IBM SPSS 26, 2022

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Table 1's descriptive statistical test findings indicate that the capital structure has an average value of 0.4854, which can be deduced from the data. The higher the capital structure value, the higher the level of debt that the company is using as a source of finance. The distribution of profits to shareholders is referred to as dividend policy. The study's typical dividend policy was 0.4775. In this study, the average stock return was 0,0907, while the average CSR value was 0,3125.

- **Test of Classical Assumptions**

  The Classical Assumption Test is a condition that must be met to use a regression test. In this study, the data were analyzed using Moderated Analysis Regression (MRA). The results of the Classical Assumption Test showed that the data in this study were normally distributed, free from symptoms of heterochemedasity, multicholinearity and autocorrelation.

- **Hypothesis Test Results**
  - Moderated Regression Analysis Test

Tabel 2. Moderated Regression Analysis Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0,085	0,137		-0,62	0,537
Capital Structure	-0,443	0,181	-0,627	-2,454	0,016
Dividend Policy	0,815	0,208	0,939	3,914	0,000
CSR	-0,553	0,474	-0,175	-1,167	0,246
Capital Structure*CSR	1,385	0,557	0,696	2,485	0,015
Dividend Policy*CSR	-0,262	0,655	-0,115	-0,4	0,690

Source: IBM SPSS 26, 2022

Based on the MRA test results shown by table 2, information about the MRA equation in this study was obtained as follows:

$$Y = -0{,}085 – 0{,}443X1 + 0{,}815X2 – 0{,}553\ Z + 1{,}385(X1Z) – 0{,}262(X2Z) + e$$

Based on the equation above the constant value of -0,085, the regression coefficient of the effect of capital structure on stock returns is -0,443 and the dividend policy variable on stock returns is 0,815. This result shows that when there is an increase in the capital structure, it will reduce the return on shares by 0,443 and when there is an increase in dividend, it will increase the return on shares by 0,815. Table 2 also provides information that the value of the Regression coefficient of the influence of capital structure on stock returns moderated by corporate social responsibility is 1,385 and the regression coefficient of dividend policy moderated by corporate social responsibility is -0,262. This shows that the increase in corporate social responsibility disclosures can increase the relationship between capital structure to stock returns by 1.385 but the increase in corporate social responsibility disclosures reduces the effect of dividend policy on stock returns by 0.262.

  - Partial Significance Test (T Test)

Tabel 3. Partial Significance Test Results (T Test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0,085	0,137		-0,62	0,537
Capital Structure	-0,443	0,181	-0,627	-2,454	0,016
Dividend Policy	0,815	0,208	0,939	3,914	0,000

Source: IBM SPSS 26, 2022

The capital structure variable significantly has a negative impact on stock returns, according to the results of the partial significant test result (T test) in table 3. The value of t -2,454 with a significance value of 0,016 0,05 shows this. The first hypothesis (H1), according to which the capital structure has an impact on the return on shares, is therefore accepted.

Table 3 also provides information that dividend policy has a positive and significant effect on stock returns. this can be seen from the t value of 3,914 with a significance value of 0,000 < 0,005. So the conclusion (H_3) was drawn that the formulation of the third hypothesis which states that the dividend policy affects the return on shares is accepted.

- Partial Significance Test of Moderation Variables (Uji T)

Tabel 4. Partial Significance Test Results of Moderation Variables (Uji T)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0,085	0,137		-0,62	0,537
Capital Structure*CSR	1,385	0,557	0,696	2,485	0,015
Dividend Policy*CSR	-0,262	0,655	-0,115	-0,4	0,69

Source: IBM SPSS 26, 2022

Based on the results shown by table 4 The variable corporate social responsibility is able to strengthen the relationship of capital structure to stock returns significantly. this is indicated by a significance value of 0,015 < 0,05 and has a t value of 2,485. So it can be concluded that the formulation of the second hypothesis (H_2) which states corporate social responsibility is able to moderate the relationship of capital structure to stock returns received.

Based on table 4, it shows that the moderation variable of corporate social responsibility is not able to moderate the relationship between dividend policy and stock returns but is not significant. This is indicated by a significance value of 0,690 > 0,05 and has a calculation of -0,400. So it can be concluded that the formulation of the fourth hypothesis (H_4) which states that corporate social responsibility is able to moderate the relationship of the front dividend policy of stock returns is rejected.

- **Discussion**
  - Effect of Capital Structure on Stock Returns

Extend the study's findings, which indicate that the capital structure has a detrimental effect on stock returns (table 3). The first hypothesis, according to which the capital structure impacts the return on shares, can thus be accepted, it can be said. This is due to the comparatively high risk of failure for businesses that depend on outside finance to raise firm capital (Fajriati, 2017). This is due to the company's increased commitment to fulfilling its obligations. Furthermore, creditors dislike businesses with a high DER ratio. This is because there is a chance that businesses with a high DER ratio won't be able to fulfill their obligations, which raises the probability that creditors will have bad debts.

- The Effect of Capital Structure on stock returns with Corporate Social Responsibility as a Moderation Variable

According to the research results presented in Table 4, corporate social responsibility can increase the correlation between capital structure and stock returns. Thus, the formulation of the second hypothesis, which asserts that CSR can control the relationship between capital structure and return on shares received, can be inferred. This is because the adoption of CSR is viewed not just as a cost, but also as an investment by the company, due to the growing importance of CSR to the business (Ni'mah, 2017). This is due to the fact that businesses cannot disregard their environment. Companies must maintain relationships with policy and decision return stakeholders in order to achieve company objectives and sustain firm stability and viability. This company's high degree of CSR implementation and transparency will help other businesses to win investors' trust and external funding, such as capital structure, because CSR is one of the factors that investors consider when selecting whether or not to invest in a company.

- Effect of Dividend Policy on Stock Returns

Based on the results of the research aimed at table 3 that the dividend policy has a Positive effect on stock returns. This indicates that the wording of the third hypothesis, which argues that dividend policy influences stock returns, is accepted. This is because an increase in dividend payout sends investors a good signal. A corporation that delivers dividends to its shareholders has an annual profit that can be transferred to investors in the form of dividends. Investors are more interested in investing when dividend payments are raised. This is due to the fact that when a firm is able to distribute its profits in the form of dividends, it increases investment certainty and gives the impression that it has less risk than those that are unable to do so. The more attractive a company's dividend policy is to investors, the more likely they are to purchase its stock. Because the primary objective of investors is to profit from dividend distributions and also capital gains (Astarina., et al, 2019)

- Effect of Dividend Policy on Stock Returns with Corporate Social Responsibility as a Moderation Variable
  According to table 4 of the research's findings, corporate social responsibility cannot moderated the relationship between dividend policy and stock returns. The fourth hypothesis (H_4) that CSR moderates the link between dividend policy and returns can thus be rejected. This is due to the fact that corporate social responsibility disclosures in Indonesia are still limited and exclusively highlight the positive aspects of the companies (Salsabila, 2022). Consequently, investors disregard CSR disclosures while making investing decisions.

Conclusion

According to the findings of research, an increase in the capital structure will have a negative impact on stock returns. This is due to the fact that an increase in the capital structure will raise the company's risk, consequently decreasing investors' interest in investing in its capital. However, the increase can strengthen the relationship between capital structure and stock returns, since a rise in corporate social responsibility can boost investor trust, hence increasing investor interest in investing.

According to the findings of study, the dividend policy can boost stock returns by increasing dividends. This is due to the fact that an increase in dividend distribution will send a favorable signal to investors. Companies that are able to share their dividends with investors indicate that they are experiencing a profit, and profit sharing also indicates that the company has a low investment risk. However, the increase in corporate social responsibility is unable to moderate the relationship between dividend policy and stock returns. This is due to the fact that corporate social responsibility disclosures in Indonesia are still limited and only highlight the positive aspects of companies' CSR efforts.

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