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The Effect of Financial Leverage on Stock Return with Moderation of Corporate Social Responsibility Disclosure

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ABSTRACT

This research aims to assess how financial leverage affects stock returns while taking into account CSR disclosure as moderation. The research data were analyzed using panel data analysis. Secondary data in the study were taken from the 2013-2022 annual reports of banks listed on the Indonesia Stock Exchange (BEI). To measure the level of corporate social responsibility disclosure, the reporting standards of the Global Reporting Initiative (GRI) available through the ESGI data site were used. Sample selection was conducted using purposive sampling technique, which is a method that selects samples based on certain criteria relevant to the research objectives, and only samples that meet these criteria are used in the analysis. Data analysis using eviews12 which includes descriptive statistics, chow test analysis, classical assumption test, and equation (hypothesis testing). The research findings show that, when measured by the DER indicator, financial leverage significantly effects stock returns. However, if the DAR indicator is used to measure financial leverage, stock returns will decrease or have a negative effect. CSR disclosure moderates$_k$the effect $_f$financial leverage on stock returns, if financial leverage uses the DER indicator in its measurement. However, CSR disclosure is not able to moderate the effect of financial leverage on stock returns if financial leverage uses DAR in its measurement. This study has several limitations, including a limited focus on the banking sector. In addition, the measurement of CSR disclosure is not based on specific criteria, but is adjusted to the disclosure of each company.

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INTRODUCTION

Stock return is the goal that investors want to get so that it becomes a factor in increasing investment in the capital market, where return becomes one of the benefits obtained from capital gains or dividends in stock investments, as well as interest from investments, with the hope that shareholders can achieve the highest possible stock returns. Increasing returns over time provides the benefits desired by investors (Chandra & Rusliati, 2019). This return can be used as an indicator for trading in the capital market (Tandelilin, 2010).

Investors and other stakeholders need to know what affects stock returns in the context of the capital market. One factor that is often a concern is financial leverage, which is the use of debt to finance the companys operations and expansion. Financial leverage, which involves the use of debt to increase earnings potential, can be a significant boost for companies in achieving faster growth (Noor & Siregar, 2024). However, in the midst of economic uncertainties that often plague Indonesia, such as exchange rate fluctuations and monetary policy changes, excessive debt use can increase the risk of bankruptcy and lead to lower stock values (Media Indonesia, 2025).

Leverage as an element of the capital structure is often used by companies to fund expansion and operations (Muhammed et al., 2024). Leverage is the company's ability to utilize debt in order to optimize profits. According to McDonald et al. (2006), financial leverage is related to the ratio of all debt and total capital used, financial leverage means how much the company utilizes debt to increase production and how much profit is needed to pay interest. The greater the leverage, the greater the debt in the company's capital structure. According to Petty, et al. (2015), using borrowed funds to improve the company's financial position is an example of financial leverage.

Previous research reveals that leverage has a positive effect on stock returns, which indicates that companies that are able to manage their debt efficiently have the potential to provide greater benefits to investors (Chandra & Rusliati, 2019). However, according to Acheampong et al. (2014), financial leverage can have a significant impact, both negatively and positively. Meanwhile, research by Razak, et al., (2023), found that DER has no significant effect on stock returns. This difference in direction can occur when the company already has too much debt to pay. Therefore, an increase in the financial leverage ratio also increases the likelihood of failure to pay, estimated costs and bankruptcy risk. If the risk increases, investors will demand higher returns (Chandra & Rusliati, 2019). In addition to leverage, the concept of corporate social responsibility disclosure of companies today shows that companies are not only economic entities but also social social entities (Kouaib & Amara, 2022). Investors are increasingly interested in companies that demonstrate good social and environmental responsibility (Jizi et al., 2014; Arora & Sharma, 2016; Pizzi et al., 2022)

Companies that focus on corporate social responsibility disclosure have the potential to improve stock performance in the long run through several factors, including cost efficiency, regulatory compliance, image improvement, and trust from stakeholders (Hafidzi & Qomariah, 2022). According to Temy Setiawan & Ak (2022), corporate social responsibility disclosure of companies has been known since the early 1970s and is generally defined as a series of policies and actions that reflect the company's attention to stakeholders, the company's core values, compliance with regulations, acceptance by the community, environmental preservation, and the active role of the business world in supporting sustainable development. This disclosure is seen as a form of social transparency that must be carried out consistently and with high commitment in order to create a sustainable environment for all stakeholders. Consistent corporate social responsibility disclosure will show that the company plays a role in improving the quality of life of company stakeholders (Schaefer et al., 2020)

According Otoritas Jasa Keuangan (2017), Financial Services Authority Regulation (POJK) No. 51/2017 and Financial Services Authority Circular Letter (SEOJK) No. 16/2021 are regulations issued by the Financial Services Authority (OJK) to encourage companies in the financial sector and public companies to be more transparent and sustainable. POJK No. 51/2017 requires companies to consider environmental, social and governance (ESG) aspects in their operations, while SEOJK No. 16/2021 guides the content that should be included in annual reports, including information on sustainability. Both regulations aim to encourage companies to be more accountable and transparent to the public, and OJK is responsible for ensuring they are properly implemented.

Referring to the previous literature, there are research inconsistencies related to the effect of financial leverage on stock returns. In addition, this study also fills the gap in the literature by adding corporate social responsibility disclosure as a moderating variable, which is still rarely used in previous studies. Also, previous studies excluded the banking sector in their research, but this study will take a locus in the banking sector. This study chose the Indonesian banking sector as the object of research because this sector faces tight liquidity conditions, even though Bank Indonesia (BI) has reduced the yield on Bank Indonesia Rupiah Securities (SRBI) to 6.955 percent. As the main provider of credit funds, banks often use high leverage to maximize profitability, thus impacting the company's stock

returns (Tarawneh et al., 2024) . This creates relevance to examine the effect of financial leverage on stock returns in the banking sector, and how corporate responsibility disclosure can moderate the relationship. The existence of transparent corporate social responsibility can strengthen market confidence and reduce uncertainty, especially in these challenging economic conditions.

The objective of study is to examine how financial leverage affects stock returns by taking into account corporate CSR disclosure as moderation$_j$. The amount of stock returns can be affected by financial leverage, which is the use of debt in equity financing. Thus, it is expected that this study will contribute to the still limited knowledge in this area and offer a new perspective on the relationship between stock returns, financial leverage, and corporate social responsibility disclosure.

Stakeholder Theory

Stakeholder theory explains how companies should maintain good relationships with various parties that affect their business, such as employees, customers, suppliers, and society (Kuo et al., 2021). This theory states that the main goal of the company is to fulfill the interests of all these parties. Therefore, companies also need to report corporate social responsibility (CSR) activities as a form of positive contribution to society and maintain a balance of interests of its stakeholders (Freeman et al., 1983). Stakeholder theory explains why companies report their CSR activities. This theory focuses on two things: first, the core values of the company that should be aligned with stakeholders, and second, the responsibility of managers towards all parties affected by business activities (Szegedi et al., 2020). Corporate social responsibility disclosure includes disclosures about the company's responsibilities to all interested parties, including society and government. Socially responsible companies must consider the interests of all parties involved (Kakabadse et al. ., 2008).

Signaling Theory

Spence introduced signaling theory in 1973. This theory states that information owners send signals to investors about the state of the company. This information is useful for investors and helps reduce information asymmetry between the two parties (Connelly et al, 2011). According to Owolabi & Inyang (2013) , one form of signaling that companies can provide is through debt issuance. After the information is conveyed and received by investors, it will be interpreted as positive or negative (Jogiyanto, 2010). Thus, it can affect the company's stock return.

Stock Return

With the main objective of generating profits, stock returns show the amount of profit that capital owners make from their investments in the long and short term (Ang, 1997). This profit becomes the main investment goal and principle, and helps investors choose the best investment (Ramlah, 2021). Stock returns are calculated as the difference between the current year's closing stock price and the previous year's closing stock price. The greater the difference or change in stock price, the more profitable the investment (Hapsoro et al., 2020).

Financial Leverage

Financial leverage is an investment strategy that encourages business expansion and growth as well as, a way to get a higher rate of return on the money that has been invested. Financial leverage is an important indicator that shows how much a company uses debt to finance its assets. A high ratio indicates that the company has a large level of debt, which can pose a risk if the company has difficulty paying its debts. The company's financial health can be jeopardized if debt is not managed properly. There are several types of leverage ratios used by companies, debt to asset ratio (DAR), debt equity ratio (DER),

long-term debt to equity ratio, times interest earned ratio, and coverage ratio (Hendayana et al, 2024). The amount of debt used to finance a company's assets relative to its own capital is known as leverage. Thus, it can be applied to evaluate the organization's capacity to meet long-term commitments (Estiasih et al., 2024). Leverage is the company's ability to utilize debt in order to optimize profits (Sofiamira & Haryono, 2017). According to Estiasih et al., (2024), financial leverage is the ratio of total debt to total capital used. This shows how much the company uses debt to increase production and how much profit is needed to pay interest.

Corporate Social Responsibility Disclosure

Corporate social responsibility disclosure is very important because it can convince stakeholders, especially investors, to assess the performance of the company's shares before they decide to make a purchase. Corporate social responsibility disclosure, which is part of the sustainability report, is used to express the company's moral responsibility towards stakeholders. Corporate social responsibility disclosure is the process of conveying the social and environmental impacts of an organization's economic activities to specific interest groups and to society at large (Muanders et al., 2006). Companies not only spend a lot of resources to carry out corporate social responsibility disclosure activities, but they also ensure that stakeholders and potential investors are aware of their corporate social responsibility activities through various media, such as the annual sustainability report (Wang et al., 2018). Corporate social responsibility disclosure can also help companies differentiate themselves from competitors and improve their image in the eyes of the public (Gangi, F et al., 2019). The financial services sector relies heavily on good reputation, based on trust and sustainable business (Jo, H et al., 2015).

Financial Leverage and Stock Return

Leverage is the ratio of the use of debt in the company's capital structure (Muhammed et al.,2024). This ratio is used to identify how well a company can pay its debts (Kasmir, 2016). In the banking sector, leverage has a very strategic role because bank operational activities are generally supported by external financing, such as third party funds and interbank loans (Yu, 2024). Since companies must use their own capital to pay for losses in the event of a performance decline, the debt-to-equity ratio (DER) is one of the ratios used to measure financial leverage. The higher the DER, the greater the risk faced by the company. The higher the DER, the greater the impact on the company's external liabilities because the composition of total debt (both short-term and long-term) exceeds total equity (Ang, 1997). The company's heavy dependence on external capital is reflected in the increasing burden on creditors, which in turn can turn off potential investors. The company's stock price is affected by a decrease in investor interest, which lowers the total stock return.

Signaling theory supports this statement, explaining that companies can provide signals to investors through debt issuance. Previous research by Susanty & Bastian (2018), also shows that the ratio of debt to equity affects stock returns. Owolabi and Inyang (2013), state that investors will initially evaluate good or bad information after it is informed by the company (Jogiyanto, 2010). Therefore, this can also affect the amount of the company's stock returns.

H_1: Financial leverage affects stock return

Corporate social responsibility disclosure as a moderating variable

Corporate social responsibility disclosure moderates the effect of financial leverage significantly on stock returns. This shows how companies with a higher debt structure but good CSR disclosure can gain positive perceptions from investors, thus positively influencing and increasing stock returns. This result is supported by stakeholder theory, which explains how companies must maintain good relationships with various parties that

affect their business, such as employees, customers, suppliers, and the community (Kuo et al ., 2021).

Stakeholder theory explains the effect of financial leverage on stock returns, especially when associated with the role of corporate social responsibility disclosure as a moderating variable. High financial leverage reflects the high financial risk borne by the company. This is not only a concern for investors, but also other stakeholders, such as creditors who are worried about their ability to pay, or employees who feel financially insecure. Under these conditions, corporate social responsibility disclosure plays an important role as a communication tool between companies and stakeholders (Kuo et al., 2021). Disclosure of corporate social responsibility disclosure activities can build a positive perception of the company, increase public trust, and show that the company remains socially and environmentally responsible despite its high debt burden. Thus, corporate social responsibility disclosure has the potential to reduce the negative impact of leverage on stock returns, because investors and other stakeholders see the company as having a positive long-term commitment.

Research conducted by Ramadhanty and Budiasih (2020), shows that corporate social responsibility disclosure can strengthen the influence between financial leverage on stock returns. This is because CSR disclosure is able to shape investors' views on the company's performance and future prospects. This positive perception can then affect the amount of stock returns. In addition, many investors now pay attention to aspects of sustainability and social responsibility in determining their investment decisions, so the implementation of CSR can be one of the factors that cause changes in stock returns.

H_2: CSR Disclosure moderates the effect of Financial Leverage on Stock Return

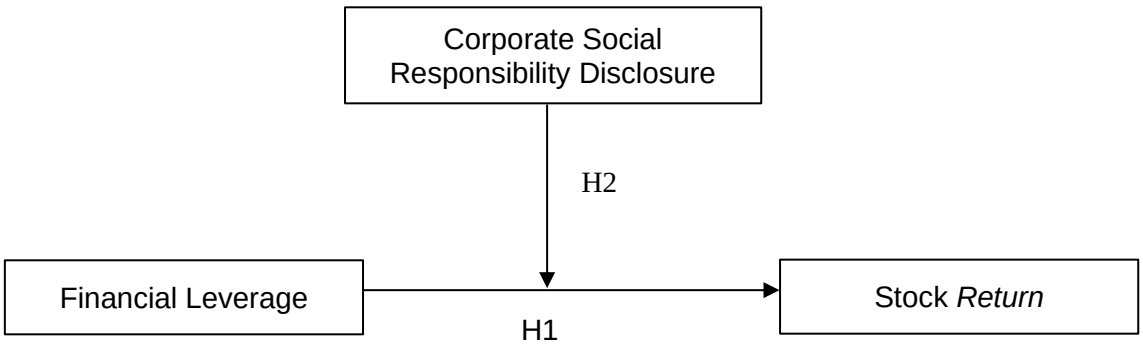

Figure 1. Research framework
Source: Data process by author (2025)

METHODS

Data Collection and Research Design

Secondary data from the annual financial statements of banks listed on the Indonesia Stock Exchange (IDX) from year 2013 - 2022 are used as the research data collection method. Meanwhile, to measure the CSR disclosure of companies, data was compiled based on the Global Reporting Initiative (GRI) reporting framework obtained from the ESGI dataset website. GRI is a network-based organization that initiated the global sustainability reporting framework and is committed to continuously improving and implementing it worldwide, because each company has different GRI standards for each company, this study adjusts the GRI standards for each banking company listed on the IDX for the period 2013-2022.

Population and Sample

Banking companies listed on the Indonesia Stock Exchange (IDX) in 2013 - 2022 are the research population. Purposive sampling, a technique for selecting samples based on predetermined criteria related to the research objectives, was used to select the research sample. Only samples that meet these requirements are used.

The criteria in this study are as follows: 1) Banking companies listed on the IDX during the study period 2013 to 2022, namely 47 companies, 2) The company discloses how the opening and closing prices of the company's shares and, disclosing CSR, are 12 companies.

Research Variables and Measurement

Independent Variable

In this study, financial leverage is used as an independent variable. The DER and DAR ratios are used to measure the level of leverage in this study. DER will show how much the company's equity can guarantee the debt. The smaller the ratio of debt to equity, the better for the company because it shows that debt can be more safely covered by own capital (Fakhruddin & Hardianto, 2001). Conversely, the higher the debt to equity ratio, the greater the risk faced by the company because it must use its own capital to bear losses in the event of a decline in performance (Ang, 1997).

One of the solvency measurements that measures how much of the company's assets are financed by debt is the Debt to asset ratio (DAR). This ratio illustrates how much debt affects asset management by comparing debt to the company's total assets. The more debt a business uses to finance its assets, the higher this ratio will be.

$$\text{Debt Equity Ratio (DER)} = \frac{\text{Total Libilitas}}{\text{Total Ekuitas}} \text{ x } 100\%$$

$$\text{Debt Asset Ratio (DAR)} = \frac{\text{Total Libilitas}}{\text{Total Aset}} \text{ x } 100\%$$

Dependent Variable

Stock return is used as the dependent variable in this study. Stock return is the goal that investors want to get so that it becomes a factor in increasing investment in the capital market, where return is one of the benefits obtained from capital gains or dividends in stock investments, as well as interest from investments, with the hope that shareholders can achieve the highest possible return on shares. Stock return is the profit obtained by investors from the investment (Ang, 1997).

$$\text{Return Saham} = \frac{P_t - P_{t-1}}{P_{t-1}} \text{ X } 100\%$$

Description:
P_t = Current Year Closing Stock Price
P_{t-1} = Previous Year's Closing Stock Price

Moderating Variable

Moderation in this study is the company's corporate social responsibility disclosure. The standard for CSR disclosure indicators is set using the Global Reporting Initiative (GRI). According to Elo and Kyngäs (2008), the measurement of CSR disclosure is done using the dummy method. The approach used is dichotomous, where each CSR disclosure item in the research instrument is given a score of 1 if disclosed, and 0 if not disclosed. All item scores are then summed to obtain a total score for each company.

Data Analysis Technique

Data processing was done using eviews12, which included the analysis of: 1) Descriptive statistics, which deals with the collection and presentation of data in the form of clusters. In this study, frequency distribution tables were used to describe the characteristics of the research variables. 2) Finding the panel data regression model, which involves the Chow, Hausman, and Lagrange Multiplier tests. 3) Classical assumption test, which tests for possible deviations from classical assumptions. 4) Regression equation (hypothesis testing).

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics is one of the techniques for collecting and presenting data sets in an organized manner. In this study, to describe the characteristics of the variables studied by presenting them in the form of frequency distribution tables, namely using descriptive statistics.

Table 1.Descriptive statistics results

Variables	N	Min	Max	Mean	Std Dev
DER	120	3,16	5500,06	58,09	504,42
DAR	120	,0007	914,81	66,52	232,27
Stock Return	120	0,18	11574,00	2181,11	2357,54
CSR Disclosure	120	18,00	120,00	61,11	18,79

Source: Data processed using Eviews12 (2025)

Based on the results of descriptive statistical analysis of DER (X1), DAR (X2), stock return (Y), and CSR disclosure (Z), it can be concluded that:

1) DER (X1) has a total of 120 data with a minimum value of 3.16, a maximum value of 5500.06 with a Std. deviation of 504.42 and a mean of 58.09.
2) DAR (X2) has a total of 120 data with a minimum value of 0.0007, a maximum value of 914.81 with a Std. deviation of 232.27 and a mean of 66.52.
3) Stock return (Y) has a total of 120 data with a minimum value of 0.18, a maximum value of 11574.00 with a Std. deviation of 2357.54 and a mean of 2181.11.
4) CSR disclosure (Z) has a total of 120 data with a minimum value of 18.00, a maximum value of 120.00 with a Std. deviation of 18.79 and a mean of 61.11.

Panel Data Regression Model Determination Method

Chow test

The chow test is used to select the best model used in the panel data regression test between the common effect and fixed effect models.

Table 2. Chow test results

Effects Test	Statistic	Prob.
Cross-section F	8,156	0,00
Cross-section Chi-square	74,112	0,00

Source: Data processed using Eviews12 (2025)

Based on table 2, the probability values of cross section Fand chi square are smaller than 0.05, thus rejecting the null hypothesis. So, the best model to use is the model using the fixed effect method. Based on the chow test results that reject the null hypothesis, the data testing continues to the hausman test.

Hausman Test

Hausman test is used to select the best model in the panel data regression test between fixed effect and random effect models.

Table 3. Hausman test results

Test Summary	Chi-Sq. Statistic	Prob.
Cross-section random	6,147	0,104

Source: Data processed using Eviews12 (2025)

P value = 0.1046 > 0.05, so H1 is accepted. So based on the Hausman test, the best model to use is the random effect model.

Lagrange Multiplier Test

The lagrange multiplier test is used to select the best model between random effect and common effect in panel data analysis. Testing the significance of the random effect model is done using the Breusch-Pagan method.

Table 4. Lagrange multiplier test results

	Cross section	Prob.
Breusch-Pagan	78,464	0,00

Source: Data processed using Eviews12 (2025)

From the results of the lagrange multiplier test (LM Test), the prob value. Breusch-pagan of 0.0000 < 0.05. Therefore, the selected model is the random effect model.

Classical Assumption Test

The purpose of the multicollinearity test is to verify that there is no correlation or interdependence between the independent variables in the regression model (Pandoyo & Sofyan, 2018). Meanwhile, the heteroscedasticity test is a classic assumption test commonly used to determine whether there are deviations or inconsistencies in the regression model. If there is a bias in the data variance, the prediction results of the model will be less accurate because the data does not have a stable variance (Widana & Muliani, 2020). The autocorrelation test is used to determine whether there is a relationship between residual errors in a linear regression model, especially between errors in the current period (period t) and errors in the previous period (t-1).

Table 5. Classical assumption test results

Variables	Multicollinearity Test	Heteroskedasticity Test Prob.	Autocorrelation Test
DER (X1)	-0,028	0,705	
DAR (X2)	-0,028	0,991	
CSR disclosure (Z)		0,710	
Stock return (Y)			
Durbin-Watson stat			0,206

Source: Data processed using Eviews12 (2025)

The results of the multicollinearity test, it is known that the independent variables that have value <0.85, which means there is a correlation between variables. Therefore, it can be concluded that the multicollinearity test results show that there are symptoms of multicollinearity in variables X1 and X2. Thus, passes the multicollinearity test. The results of heteroscedacity test, it is known that the independent variable has a Prob. value> 0.05 which indicates that the data is constant. The autocorrelation test results show that the Durbin-Watson stat value of 0.506168 < 2 indicates that there are symptoms of autocorrelation.

Regression Equation

Table 6. Regression equation results

Variables	Model 1		Model 2		Model 3	
	β	Prob.	β	Prob.	β	Prob.
DER (X1)	0.956	0,007	0,966	0,007	21,918	0,017
DAR (X2)	0.407	0,576	0,397	0,587	0,430	0,856
CSR disclosure (Z)			4,419	0,671	1,709	0,874
Stock return (Y)						
DER*CSR disclosure					0,487	0,012
DAR*CSR disclosure					0,00	0,98

Source: Data processed using Eviews12 (2025)

Model 1

With a probability value of 0.0070 <0.05, it can be concluded that the DER variable (X1) significantly affects stock return (Y). According to this finding, if a high DER value indicates that the company finances its operations through debt rather than equity or its own capital, then changes in DER can have an effect on stock returns. This conclusion is consistent with the findings of previous research that DER significantly affects stock return (Saraswati et al., 2020) . The prob. value of 0.5766> 0.05, so it can be concluded that the DAR variable (X2) has no significant effect on stock returns (Y).

$Y = \alpha + \beta1X1+\beta2X2$ .....(1)
Y = 2263.740 - 0.956027*X1 - 0.407211*X2 + [CX=R]

Model 2

The moderation variable (CSR disclosur) has a prob. value of 0.6712> 0.05, so it can be concluded that the CSR disclosure variable does not moderate the stock return variable (Y).

$Y = \alpha + \beta1X1 + \beta2X2 + \beta3Z$.....(2)
Y = 2533.756 - 0.966467*X1 - 0.397055*X2 - 4.419170*Z + [CX=R]

Model 3

Variable X1Z (Interaction of variable X1 with moderation) has a prob. value of 0.0128 <0.05 then, it can be concluded that CSR disclosure moderates the effect of DER (X1) significantly on stock returns (Y). This indicates that companies with a higher debt structure but good CSR disclosure can get positive perceptions from investors, thus affecting stock returns positively.

The X2Z variable (Interaction of X2 with moderation variables) has a prob. value of 0.9845 > 0.05, so it can be concluded that CSR disclosure is not able to moderate the effect of DAR (X2) significantly on stock returns (Y). This shows that although CSR disclosure is important in managing the company's image, its effect on the relationship between debt-to-asset ratio and stock returns is not significant. Investors are more focused on the risk factors posed by high debt levels, regardless of the company's disclosure in terms of CSR.

$Y =\alpha + \beta1X1 + \beta2X2 + \beta3Z + \beta4X1*Z + \beta4X2*Z$.....(3)
Y = 2468.671 + 21.91882*X1 - 0.487250*X1Z - 0.430473*X2 - 0.000707*X2Z - 1.709163*Z + [CX=R]

F test

The F test is used to see whether the independent variables simultaneously have a significant effect on the dependent variable.

Table 7. F Test Results

F-statistic	3,800
Prob.	0,025
R-Squared	0.061
Adjusted R-squared	0.044

Source: Data processed using Eviews12 (2025)

With a Prob. F-statistic) value of 0.025173 < 0.05 an F-statistic value of 3.800330 < 0.05, it can be said that the independent variables DAR and DER both have a significant effect on stock returns at the same time (simultaneously).

Financial Leverage and Stock Return

The results showed that there are two indicators to measure debt ratio, namely debt to equity ratio (DER) and debt to asset ratio (DAR). Debt to equity ratio (DER) and debt to asset ratio (DAR) were chosen as indicators to measure financial leverage because both provide a clear and comprehensive picture of the company's funding structure. DER is used because it shows a direct comparison between debt and equity, so it can reflect how much the company utilizes debt in financing its business. This ratio is important for assessing financial risk and the potential influence of financial leverage on stock returns. Meanwhile, DAR complements the measurement of financial leverage by showing the proportion of debt to the company's total assets. This ratio provides a different and broader perspective on the level of debt in the company's overall asset structure. By combining DER and DAR, this study is able to analyze financial leverage from two complementary sides.

The results show that changes in DER affect stock returns. The higher the DER, the more the company relies on debt rather than equity for financing. The lower the DER, the more the company relies on equity. A high DER can be a sign that the company is confident about its future performance. By using a lot of debt, management shows that they believe the company is able to pay its debts and generate greater profits. This signal can be seen positively by investors, so that the value of shares rises and returns also increase. These results support previous research by Silaban (2021), which also found a significant effect between DER and stock returns.

However, if DAR is used to measure the debt ratio, it tends to have a negative impact on stock returns and does not give strong signals to investors. Although DAR shows how much debt is in a company's total assets, this ratio does not really reflect important management decisions. Therefore, investors usually do not pay much attention to DAR when assessing the profit potential of a company's shares. The research results show that the Debt-to-Asset Ratio (DAR) does not significantly impact stock returns. This is partly due to the fact that banks are known to have higher leverage than companies in other industries. This high level of leverage arises from the bank's operational structure (Martynova et al., 2020). In this context, investors do not perceive a high proportion of debt as a risk as long as management is able to manage it well. This aligns with the findings of Karla et al. (2020), who also stated that the debt-to-asset structure does not significantly impact stock market value.

This insignificance influences investor behavior, as they tend to no longer consider the debt-to-asset ratio a primary consideration in investment decisions. Instead, investors focus more on other indicators such as profitability, growth, and operational efficiency. This behavior indicates that investors are increasingly rational and selective, paying more attention to ratios reflecting capital structure, such as the Debt-to-Equity Ratio (DER), which has been shown in several studies to influence stock returns. Therefore, investment

strategies and financial decision-making must consider indicators that are truly relevant to market response.

This result is supported by signaling theory which states that one form of signal given can be the issuance of debt. After the information is conveyed by the company and received by investors, the information will be interpreted whether it is positive or negative (Jogiyanto, 2010), which in turn can affect the company's stock return. So, it can be concluded that financial leverage affects the stock returns of banks in Indonesia, mainly through the DER indicator, while the DAR indicator does not have a significant impact. This provides important insight for investors and managers in the banking sector to consider the debt structure when deciding on investment strategies.

Corporate Social Responsibility Disclosure as a moderating variable

CSR disclosure moderates the effect of DER significantly on stock returns. This shows how companies with a higher debt structure but good CSR disclosure can gain positive perceptions from investors, thus positively influencing and increasing stock returns. This result is supported by stakeholder theory, which explains how companies must maintain good relationships with various parties that affect their business, such as employees, customers, suppliers, and the community (Kuo et al., 2021).

Thus, companies also need to report corporate social responsibility (CSR) activities as a form of positive contribution to society and maintain the balance of interests of their stakeholders. However, CSR disclosure is not able to significantly moderate the effect of DAR on stock returns. This shows that although CSR disclosure is important in managing the company's image, its effect on the relationship between debt-to-asset ratio and stock returns is not significant. Investors are more focused on the risk factors posed by high debt levels, regardless of the company's disclosure in terms of CSR.

Therefore, if financial leverage is measured using the DER indicator, it can be said that CSR disclosure moderates the effect of financial leverage on stock returns. However, if financial leverage is measured using the DAR indicator, then CSR disclosure is not able to moderate the effect of financial leverage on stock returns. Research Ramadhanty and Budiasih (2020), supports these findings by showing that corporate CSR disclosure can increase the correlation between stock returns and financial leverage. This is due to the positive influence of CSR disclosure on investors' perceptions of the company's performance and prospects, which ultimately affect stock returns. Investors tend to consider aspects of sustainability and social responsibility in making investment decisions, so the company's CSR performance can be one of the factors that influence fluctuations in stock returns.

CONCLUSION

Based on the description of the previous results, it can be concluded that financial leverage has a significant effect on stock returns when measured using the debt to equity ratio indicator (DER). However, financial leverage will negatively affect stock returns when using the debt to asset ratio indicator DAR in its measurement. Then, CSR disclosure moderates the effect of financial leverage on stock returns, if financial leverage uses the DER indicator in its measurement. However, CSR disclosure is not able to moderate the effect of financial leverage on stock returns if financial leverage uses DAR in its measurement. This research still has some limitations. The focus is only on the banking sector, whereas each industry sector has different characteristics and financial risks. In addition, the CSR disclosure data used only refers to what each company discloses in their annual reports, without any specific measurement standards such as GRI guidelines. This makes the quality of CSR data can vary greatly from one bank to another. From the findings, it is clear that excessive use of debt, especially when measured by the debt to asset ratio (DAR), can pose a risk to stock returns. However, the interesting part is that

when banks consistently disclose their CSR activities, the effect between financial leverage as measured by DER and stock returns becomes more positive. This suggests that CSR is not only a form of social compliance, but also a business strategy that can strengthen investor perceptions.

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