Volume 4 Number 2 (2026)
July-December 2026
Page: 1862- 1870

Journal of Creative Power and Ambition (JCPA)
https://edujavare.com/index.php/jcpa
E-ISSN: 3031-4054
DOI: 10.70610/jcpa.1822

The Effect Of Corporate Social Responsibility (Csr) Disclosure On Stock Return Volatility In The Consumer Goods Sector On The Indonesia Stock Exchange

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Article history Submitted: 2026/07/27; Revised: 2026/07/31; Accepted: 2026/08/04

Abstract

This study aims to analyze the effect of Corporate Social Responsibility (CSR) disclosure on stock return volatility in consumer goods companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The quantitative causality approach used is panel data, which aims to examine the extent to which Corporate Social Responsibility (CSR) disclosure affects stock return volatility. Stock return volatility is measured using two approaches: Idiosyncratic Volatility (IVOL) through market model regression and Realized Volatility through the standard deviation of daily returns. CSR disclosure is measured using the CSR Disclosure Index (CSRI) based on GRI Standards guidelines. The sample was selected through purposive sampling. The estimation model was selected through a series of tests (Chow, Hausman, and Breusch–Pagan LM). This study relies on three main theoretical foundations: Signaling Theory, Stakeholder Theory, and Legitimacy Theory. This research is expected to fill the research gap related to specific sectoral studies of the consumer goods sector on the IDX which still show inconsistent results, while also presenting the latest empirical evidence from the 2020–2024 period.

Keywords CSR Disclosure, Stock Return Volatility, Idiosyncratic Volatility, Signaling Theory, Consumer Goods Sector, IDX

INTRODUCTION

The capital market plays a crucial role in the economy as it provides a platform for companies and investors to conduct funding and investment activities. One indicator reflecting the condition and dynamics of the capital market is stock return volatility, which describes the level of fluctuation in stock returns over a given period. High volatility generally reflects increased information uncertainty and investment risk, potentially impacting investor decisions and overall market stability.

With the development of the capital market, investor attention is no longer solely focused on financial information but also includes non-financial information, particularly regarding Corporate Social Responsibility (CSR). CSR is viewed as a manifestation of a company's responsibility for the social, environmental, and economic impacts of its operations. Transparent and comprehensive CSR disclosure is believed to improve the quality of information received by investors, reduce information asymmetry, and strengthen market confidence. Based on Signaling Theory, CSR disclosure can be a positive signal regarding the quality of a company's management and sustainability, ultimately potentially reducing stock price uncertainty and volatility (Chen et al., 2022; He et al., 2022).

The increase in CSR practices and disclosures is also influenced by regulatory pressures and growing public awareness of sustainability issues. In Indonesia, the Financial Services Authority (OJK) requires public companies to prepare and submit sustainability reports, thus encouraging increased transparency in CSR reporting. However, despite increasing levels of CSR disclosure, stock market fluctuations in Indonesia remain relatively high, including in the consumer goods sector, which has historically been known as a defensive sector with a long-term orientation. This raises questions about the extent to which CSR disclosure can play a role in mitigating stock return volatility in this sector.

International literature over the past decade has generally shown a negative relationship between CSR or ESG disclosure and stock volatility and idiosyncratic risk. Chen et al. (2022) found that increased CSR disclosure can reduce asset price volatility by improving information quality. Similar findings were presented by He et al. (2022) and Ma et al. (2023), who stated that companies with higher levels of CSR disclosure tend to face lower idiosyncratic risk. Furthermore, Mefteh-Wali (2024) emphasized that social and environmental aspects of CSR play a significant role in reducing market uncertainty.

Empirical research in Indonesia continues to show inconsistent findings. Several national studies have concluded that CSR disclosure is effective in reducing risk and increasing stock price stability (Prakosa, 2022; Azizah, 2025; Aditya, 2024). However, other studies have found a relatively weak or insignificant effect. These differences in results are likely due to variations in industrial sectors, CSR measurement methods, observation periods, and the characteristics of the Indonesian capital market. This situation indicates a research gap, particularly regarding the study of the effect of CSR disclosure on stock return volatility, specifically in the consumer goods sector, using more recent data.

The selection of the consumer goods sector was based on its unique sectoral characteristics, such as relatively stable demand levels, intense consumer interactions, and high exposure to social and environmental issues. Based on this background, the purpose of this study is to analyze the effect of Corporate Social Responsibility (CSR) disclosure on stock return volatility in consumer goods companies listed on the Indonesia Stock Exchange.

METHODS

This study employed a quantitative research method with a causal approach to examine the extent to which Corporate Social Responsibility (CSR) disclosure influences stock return volatility. The causal approach was selected to evaluate the cause-and-effect relationship using historical data from publicly listed companies. Quantitative methods utilizing panel data have been widely adopted in previous studies investigating the effect of CSR on market risk and idiosyncratic risk, such as those conducted by Chen et al. (2022), He et al. (2022), and Ma et al. (2023). The population of this study comprised all consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The sample was selected using a purposive sampling technique based on the following criteria: (1) consumer goods companies consistently listed on the IDX throughout 2020–2024; (2) companies that published complete annual reports or sustainability reports for each year of the observation period; (3) companies with available daily stock price data from the IDX, Yahoo Finance, or other reliable financial data sources; (4) companies that did not undergo mergers, delisting, or major restructuring during the observation period; and (5) companies whose CSR disclosure could be measured using an index or checklist based on the GRI Standards. This study relied on secondary data consisting of annual reports to measure the level of CSR disclosure through the construction of a disclosure index, sustainability reports to assess the quality of CSR disclosure when such reports were available, daily stock price data obtained from the IDX, Yahoo Finance, or RTI Business to calculate stock return volatility, and additional firm-level data including firm size, leverage, profitability, and Tobin's Q as control variables, following the approaches adopted by Chen et al. (2022), He et al. (2022), and Mefteh-Wali (2024).

FINDINGS AND DISCUSSION

The Effect of CSR Disclosure on Stock Return Volatility (H1)

The Fixed Effects Model estimation results show that the CSRI (t-1) coefficient is negative and statistically significant at the 99% confidence level in both model specifications. In Model 1, with IVOL as the dependent variable, the CSRI(t-1) coefficient is -0.0418 with a t-statistic of

-3.612 ($p < 0.01$). In Model 2, with Realized Volatility as the dependent variable, the CSRI(t-1) coefficient is -0.0387 with a t-statistic of -3.301 ($p < 0.01$). Therefore, Hypothesis 1 (H1), which states that CSR disclosure has a negative effect on stock return volatility, is accepted.

Economically, the coefficient of -0.0418 in Model 1 means that a 10 percentage point increase in CSRI (e.g., from 0.40 to 0.50) is associated with a 0.00418 decrease in average IVOL, or approximately 13.4% of the sample's mean IVOL (0.0312). This effect is economically significant, considering that the difference in IVOL quartiles between companies with high and low CSR disclosure is nearly 25% of the sample mean.

This finding is theoretically consistent and strengthens the three theoretical pillars underpinning this study. First, from the perspective of Signaling Theory (Spence, 1973; Ross, 1977), comprehensive CSR disclosure serves as a positive signal to the market about management quality, the firm's fundamental soundness, and its long-term commitment to sustainability. This credible and consistent signal reduces information asymmetry between management and investors, thereby reducing stock price uncertainty and volatility (Chen et al., 2022; He et al., 2022).

Second, from the perspective of Stakeholder Theory (Freeman, 1984), companies that disclose CSR broadly reflect their ability to meet the expectations of all stakeholders, including consumers, communities, and regulators. This creates a stable operating environment that reduces the risk of stakeholder conflict, resulting in more stable company cash flows and lower investor uncertainty (Mefteh-Wali, 2024; Nirino et al., 2022). The relevance of this mechanism is particularly strong in the context of the consumer goods sector, which has a very high level of direct interaction with end consumers.

Third, from the perspective of Legitimacy Theory (Dowling & Pfeffer, 1975; Suchman, 1995), companies that are transparent in their CSR disclosures are building and maintaining their social legitimacy. Proactive disclosure reduces the risk of negative public sentiment and potential regulatory intervention, thus preventing negative surprises that could trigger spikes in stock price volatility (Cao et al., 2023; Wang & Yang, 2023).

Empirically, the findings of this study align with the consensus of recent international literature. Chen et al. (2022) found that the quality of CSR disclosure in China significantly reduced asset price volatility by improving the quality of market information. He et al. (2022) confirmed that companies with higher ESG scores face lower idiosyncratic risk in Asian capital markets. Ma et al. (2023) found, in a global panel study, that better ESG/CSR disclosure was consistently associated with lower return volatility. Liu et al. (2023) specifically found that the environmental and social dimensions of ESG had the strongest influence in dampening idiosyncratic volatility.

In the Indonesian context, these findings strengthen and extend the evidence provided by Prakosa (2022) and Azizah (2025), who found a negative relationship between CSR disclosure and stock risk in manufacturing and consumer goods companies. This study provides additional empirical evidence based on data from 2020–2024, covering the COVID-

19 pandemic and post-pandemic recovery period, and uses a more rigorous panel data method (FEM with lagged variables) to address endogeneity issues.

The 2020–2024 timeframe provides an important dimension because it encompasses the period of the global health crisis (COVID-19), which dramatically increased market uncertainty. The finding that CSR disclosure remained significantly negative in its effect on volatility even during this period supports the arguments of Albuquerque et al. (2020) and Broadstock et al. (2021) that companies with high ESG/CSR performance are more resilient to market crises. Zhou & Zhou (2022) also found that companies with better ESG disclosure experienced lower volatility during the COVID-19 public health crisis.

Quality versus Quantity of CSR Disclosure on Stock Return Volatility (H2)

The second hypothesis (H2) in this study states that the quality of CSR disclosure has a stronger negative effect on stock return volatility than the quantity of disclosure. Based on the operational definition of the variables used (Section D), CSR disclosure in this study is measured using a single instrument, the CSR Disclosure Index (CSRI), which is calculated from the proportion of GRI Standards checklist items disclosed by companies. This measure essentially captures the quantity or breadth dimension of disclosure, namely, "how many" CSR items are disclosed, not "how in-depth or credible" the disclosure is. The estimation model in Table 6 contains only one CSRI variable as a proxy for CSR disclosure, without breaking it down into separate quantity and quality components, such as narrative depth scores, third-party assurance levels, or independent assessments of the reliability of CSR information.

Due to these measurement limitations, H2 cannot be directly and formally tested using the data and estimation model available in this study. The collected data (45 companies, 225 firm-year observations for the 2020-2024 period) only allows for measurement of the quantity of CSR disclosure through the CSRI. Therefore, the results in Table 6 can only be interpreted as evidence of the effect of the quantity of CSR disclosure on stock return volatility (supporting H1). While comparing the influence of quality and quantity of disclosure, as stated in H2, is beyond the scope of this study's empirical evidence.

Nevertheless, some indirect indications can be drawn from the descriptive data (Table 2). The average CSRI value of 0.4928, with a range of 0.3297 to 0.6923, indicates a fairly wide variation in disclosure levels across sample companies. However, this variation reflects differences in the number of items disclosed, not differences in the depth or credibility of the disclosure content. Support from the literature, particularly Mefteh-Wali (2024), suggests that the environmental and social dimensions of CSR tend to have varying effects on corporate risk, indicating that the qualitative aspects of CSR disclosure are potentially conceptually relevant. However, this indication stems from a literature review, not direct empirical evidence from the data and model of this study.

Based on the above description, this study concludes that H2 is inconclusive, meaning it cannot be accepted or rejected, due to the limitations of the variable's measurement design, which only captures the quantity dimension of CSR disclosure. Adequate testing of H2 requires additional instruments that explicitly separate the quantity dimension (breadth/number of items) from the quality dimension (depth/credibility/assurance) of CSR disclosure, as suggested in Chapter V of this study.

3. Effect of Control Variables

Firm Size (SIZE) has a negative and significant coefficient in both models ($\beta = -0.0052$, $p < 0.05$ in Model 1; $\beta = -0.0048$, $p < 0.05$ in Model 2). Larger firms tend to have lower volatility, consistent with the argument that larger firms have broader access to information, greater operational diversification, and are more easily analyzed by financial analysts, thereby reducing information asymmetry and volatility. This finding aligns with Chen et al. (2022) and He et al. (2022).

Leverage (LEV) has a positive and significant coefficient ($\beta = 0.0312$, $p < 0.05$), indicating that the higher a company's debt ratio, the greater its stock return volatility. This is consistent with financial theory, which states that financial leverage increases bankruptcy risk and cash flow uncertainty, ultimately driving stock price volatility (Ma et al., 2023).

Profitability (ROA) has a significant negative effect on volatility ($\beta = -0.0841$, $p < 0.01$). More profitable companies have more stable and predictable cash flows, reducing investor uncertainty about the company's future performance. These results align with the findings of Prakosa (2022) and Aditya (2024) in the context of the Indonesian capital market.

Tobin's Q has a significant positive effect ($\beta = 0.0087$, $p < 0.05$), indicating that companies with higher growth opportunities tend to face greater volatility, reflecting greater uncertainty regarding the realization of future investment value. This is consistent with the argument of He et al. (2022) on the relationship between growth options and idiosyncratic risk.

Firm age (AGE) had a significant negative effect ($\beta = -0.0008$, $p < 0.10$), indicating that older firms tend to have lower volatility. Long-established firms are generally better known to investors and have a documented track record.

CONCLUSION

This study aims to analyze the effect of Corporate Social Responsibility (CSR) disclosure on stock return volatility in consumer goods companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. Using a sample of 45 companies (225 firm-year observations), the Fixed Effect Model method with robust standard errors, and endogeneity management through lagged variables, this study proves that CSR disclosure has a negative and significant effect on stock return volatility, where a one-standard deviation increase in CSRI can reduce the average IVOL by 13.4%. This finding is theoretically confirmed by Signaling Theory, Stakeholder Theory, and Legitimacy Theory, which work complementary. It is also supported by all control variables that show a direction of influence consistent with theoretical predictions. It also contributes to filling the sectoral research gap with the latest data covering the COVID-19 pandemic period and a more detailed panel data methodology. This study has four main limitations: the checklist-based CSRI measurement, which fails to capture the substantive quality of disclosure; the handling of endogeneity, which could be strengthened with an IV or DiD approach; the limited generalizability of the results due to the focus solely on the consumer goods sector; and the failure to separate the environmental (E), social (S), and governance (G) dimensions into separate analyses.

Future research is recommended to develop quality-based CSR measurements through text analysis or machine learning; utilize the OJK regulation on mandatory ESG disclosure as a quasi-natural experiment using the DiD method; conduct comparative studies across sectors on the IDX to identify the universality of CSR influences; and break down the CSRI index into E, S, and G dimensions separately to provide more specific guidance for management.

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