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THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON STOCK PRICE VOLATILITY: THE MODERATING ROLE OF TAX PAYMENT AND CEO POWER

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Abstrak: Penelitian ini menganalisis pengaruh *Corporate Social Responsibility* (CSR) terhadap volatilitas harga saham, dengan memperhatikan efek moderasi peran pembayaran pajak dan CEO *power*. Penerapan praktik CSR yang baik akan membantu perusahaan dalam menjaga fluktuasi harga saham. Semakin kecil pergerakan atau fluktuasi harga saham, menunjukkan semakin rendah tingkat risiko akibat ketidakpastian harga saham. Penelitian dilakukan dengan menggunakan pendekatan kuantitatif. Unit analisis adalah perusahaan di sektor manufaktur yang terdaftar di Bursa Efek Indonesia, mencakup 107 perusahaan sampel yang dipilih dengan metode *purposive sampling* selama periode pengamatan tiga tahun dari 2021 hingga 2023. Analisis data menggunakan regresi moderasi dengan bantuan alat statistik Eviews13. Hasil penelitian menunjukkan bahwasanya praktik CSR mempengaruhi volatilitas harga saham. Selain itu, diketahui bahwa peran pembayaran pajak dapat memoderasi pengaruh CSR terhadap volatilitas harga saham. Namun, CEO *power* tidak memiliki efek moderasi dalam hubungan antara CSR dan volatilitas harga saham. Penelitian ini mendukung perusahaan manufaktur untuk melakukan pengembangan dalam menerapkan praktik CSR guna menjaga volatilitas harga saham. Praktik CSR yang baik dapat dijadikan kacamata investor dalam menarafkan risiko saham perusahaan.

Kata kunci: CEO *Power, Corporate Social Responsibility*, Peran Pembayaran Pajak, Volatilitas Harga Saham

Abstract: *This study analyzes the influence of Corporate Social Responsibility (CSR) on stock price volatility by considering the moderating effect of tax payments and CEO power. The implementation of good CSR practices helps companies to maintain stock price fluctuations. The smaller the movement or fluctuation of stock prices, the lower the level of risk due to stock uncertainty. This study was conducted using a quantitative approach. The unit of analysis is manufacturing sector companies listed on the Indonesia Stock Exchange, consisting of 107 sample companies selected through a purposive sampling method*

with an observation period of three years from 2021 to 2023. Data analysis was performed using moderation regression and Eviews13. The results indicate that CSR practices affect stock price volatility. In addition, it is known that the role of tax payments can moderate the effect of CSR on stock price volatility. However, CEO power did not moderate the relationship between CSR and stock price volatility. This study supports the development of manufacturing companies implementing CSR practices to maintain stock price volatility. Good CSR practices can be used from an investor perspective to assess the risk of the company's shares.
Keywords:* *CEO Power, Corporate Social Responsibility, Roie of Tax Payment, Stock Price Volatility

PENDAHULUAN

The issuance of securities in the capital market serves as a means for companies to obtain funding for their operational activities (Martha, 2022). Shares are one of the alternative securities issued by companies with relatively high risk. This is because the share price is uncertain, which is determined by the market demand and supply for the number of shares (Hermanto & Ibrahim, 2020). If an increase in supply is not followed by increased demand, it reduces the share price. Conversely, if the demand from investors is very high, the share price will increase. This uncertainty in supply and demand raises stock price volatility (Abidin, 2015).

Many factors determine stock prices, not limited to the dynamics of demand and supply. However, there are various other factors, such as macroeconomic conditions (Kennedy & Hayrani, 2018). Inflation is a macroeconomic factor that influences stock prices (Ekawarti, 2021). Inflation is an economic indicator that causes an increase in the price of goods over a period. The existence of high inflation will cause an increase in production costs, which will impact the selling price of goods. Thus, this reduces sales volume, which has a negative impact on company performance. This is reflected in a decrease in a company's stock returns (Ficeroy et al., 2024). Investors will be more interested in investing their funds when inflation is stable, so the volume of trading in the capital market will increase, followed by a strengthening of stock price stability. When stock prices are stable, their volatility will also be lower or stable (Kennedy & Hayrani, 2018).

Another factor that affects demand uncertainty, which ultimately affects stock price volatility, is a company's reputation. In 2015, a scandal affecting the Volkswagen Group, also known as "Dieselgate", involved manipulating emissions tests on Volkswagen diesel vehicles (Sherif et al., 2024). As a result of this scandal, a few days after the news broke, the company's shares fell by more than 40% on the Frankfurt Stock Exchange. This drastic drop was followed by high volatility owing to the uncertainty surrounding the risks. This also leads to an adverse investor reaction in global markets. This phenomenon shows that investors are likely to look at the stock price movements of companies listed on the stock exchange to assess the risk of the stock before deciding to invest, including on the Indonesia Stock Exchange.

The following figure displays the stock price fluctuations of companies listed on the Indonesia Stock Exchange:

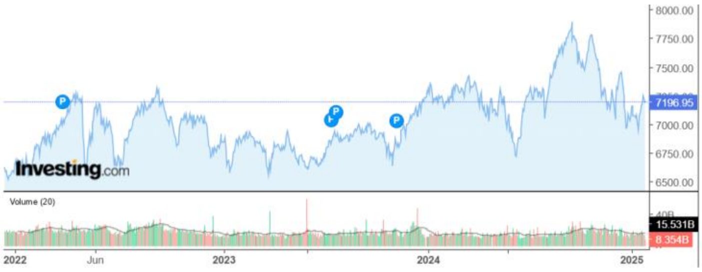

Figure 1. Chart of Stock Price Movement in Indonesia
Source: Investing.com, 2025

The graph above shows the movement in the share prices of companies listed on the Indonesia Stock Exchange over time. Periods of high volatility are indicated by steep graphs that occur when stock prices rise and fall drastically in a short period. Stock price volatility, which assesses stock price fluctuations over a certain period, can be used as an investor perspective in assessing stock risk (Ridho, 2024). High volatility indicates large stock price movements in a short period and increased risk. In contrast, low volatility indicates stock price fluctuations that tend to be stable and do not experience significant changes in a certain period (Chaudhary et al., 2020). Therefore, it is essential to understand the factors affecting stock price volatility, especially for investors.

Corporate Social Responsibility (CSR) can affect stock price fluctuations. Companies that adopt social responsibility practices will gain stakeholder trust more quickly. This is because, in the implementation of its operational activities, the company meets the prevailing expectations in society, where the community expects the company to run its business transparently and not engage in practices that harm the community and the environment around the company (Yulianti & Darmawati, 2024). If implemented correctly, CSR can increase public trust and company reputation, strengthen stakeholder relationships, and ultimately positively impact investors' investment decisions. Therefore, CSR is not only a tool to improve a company's image but also has the potential to improve financial performance, and sound economic performance will be reflected in stock price volatility, which tends to be stable (Siswana & Ratmono, 2024; Tasnia et al., 2020).

As a factor affecting stock price volatility, CSR disclosure helps investors make the right investment decision. CSR is a positive signal for investors, who can see companies with sound risk management (Pujakesuma, 2022). This is because investors can directly see indicators of improved company performance through economic, social, and environmental disclosures in corporate social responsibility reports (Prasetyo & Nani, 2021). This transparency of social and ecological services increases the credibility of the company's report and positively responds to investors' decisions to acquire the company's shares (Miftah et al., 2022). Thus, CSR disclosure helps companies maintain stock price fluctuations (Mechrgui & Theiri, 2024).

This research additionally examines the role of tax payments in social responsibility relationships in investment activities. The role of tax payments and CSR activities has a negative relationship because the tax burden and CSR budget are based on the previous year's net profit value (Siswana & Ratmono, 2024). The CSR budget allocation decreases when the company's tax burden is significant. Thus, later disclosures by companies related to social responsibility practices will also be less. Conversely, when the tax burden is small, the allocation of funds to the CSR budget increases (Davis et al., 2018). Thus, CSR disclosure is more effective. When CSR disclosure is good, investors respond positively, so the stock price volatility stabilizes. This shows that tax payments act as a moderating factor in the relationship between CSR and stock price volatility (Mechrgui & Theiri, 2024; Tasnia et al., 2020).

The research expands on previous research conducted by Tasnia et al. (2020), exploring the potential impact of moderating variables related to the role of the chief executive officer's power. CEO Power is measured using CEO Tenure or the length of tenure (Zahroh & Hersugondo, 2021). Various company activities related to decision-making are always associated with decisions made by the CEO, who is the company's top management. The longer a CEO serves, the more he has complete power to make strategic decisions, including CSR-related ones (Liu et al., 2024). A change in decisions that increase CSR disclosure can also affect stock price volatility. This is reinforced by the findings of Rohmah et al. (2023), which explain that improving company performance through CSR activities can affect stock prices. This shows that CEO power is a moderating factor in the relationship between CSR and stock price volatility (Kalia, 2024; Zahroh & Hersugondo, 2021).

This study focuses on the manufacturing sector from 2021 to 2023. Based on the graph of stock price movements presented on the investing.com page (2025), manufacturing companies are one of the sectors with diverse stock fluctuations. The page shows that several manufacturing companies have higher volatility than other sectors, such as the energy sector, which tends to be more stable. Significant stock price movements encourage investors to withdraw their invested funds due to the high risk of uncertainty. There is an urgency for research to examine how CSR affects stock price volatility in manufacturing firms, with the role of tax payment and CEO power as moderating variables, specifically for companies listed on the IDX from 2021 to 2023. The results of this study are expected to provide important information for companies in designing effective CSR policies, which cannot only positively impact a company's image but also reduce stock volatility. In addition, this study is expected to provide insight into CEO Power and tax payment policies, which can be important factors in managing stock price stability.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Legitimacy Theory

Dowling and Pfeffer first proposed the legitimacy theory in 1975, focusing on the interaction between companies and society (Tasnia et al., 2020). This theory posits that society plays an essential role in influencing the long-term development of the company. Legitimacy theory explains that to maintain legitimacy, the company must meet societal expectations in its operational activities (Yulianti & Darmawati, 2024). One way that companies can fulfill society's expectations is by adopting CSR practices. When a company has been legitimized, it will improve its image or name and increase stakeholder trust (Putri et al., 2023). According to this theory, CSR serves as a tool for enhancing a company's image, which will also attract investors to influence stock prices (Tasnia et al., 2020). Thus, it also affects stock price volatility.

Signaling Theory

The idea of signaling theory, first proposed by Spence in 1973, states that executives who have more extensive information about the company than potential investors will tend to convey this information to influence the stock price. (Chaudhary et al., 2020). Signaling theory explains that the information companies provide serves as a signal for investors to influence their investment decisions. Signaling theory is very relevant because suitable social responsibility activities serve as a positive signal, indicating that a company with sound risk management is not sensitive to regulation and environmental risks and cares about environmental and social issues so that the level of stock volatility and risk perception is low (Yulianti & Darmawati, 2024). When investors can read the signals given through CSR practices, they attract potential investors. This will make it easier for companies to maintain stock price stability so that stock price volatility will also be stable (Pujakesuma, 2022).

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is social capital that increases a company's value and sustainable financial statements. It is also a long-term social investment and the company's responsibility to shareholders and other interested parties (Road et al., 2022). CSR is a company's commitment to creating strong relationships with its employees, customers, communities, and all other stakeholders. Through CSR, companies can improve the quality of life of society and the environment while building a good reputation and ensuring long-term business sustainability (Rosilawati & Nawirah, 2024).

Stock Price Volatility

Stock price volatility refers to fluctuations in stock prices, which are movements up and down over time. Stocks with high volatility are often considered riskier, as their prices change quickly. However, there is a potential for higher returns (Cremers et al., 2015). Conversely, low-volatility stocks tend to provide smaller returns but exhibit more consistent and controllable price fluctuations; therefore, they are considered a safer choice (Yulianti & Darmawati, 2024). Zainudin et al. (2018) also explain the usefulness of stock price volatility in standardizing stock risk, in which the more significant the stock volatility, the greater the risk. This is related to the characteristics of investors, particularly risk-averse investors, who closely monitor information derived from stock price volatility (Qammar & Zainulabidin, 2019).

The Role of Tax Payment

Taxes represent a key source of state revenue that aims to finance state expenditures or needs in increasing national development (Ahmad et al., 2021). Tax payment is a basic form of fulfilling tax obligations for every citizen or business entity eligible to pay taxes. Research by Mechrgui & Theiri (2024) indicates that the role of tax payments can be assessed through the effective tax rate. The study also found a negative relationship between the role of tax payments and CSR activities. This negative relationship arises because the budget for CSR activities and taxes paid by the company is based on the net profit earned by the company in the previous year. Generally, companies with a higher tax burden allocate a smaller budget for CSR activities. Conversely, when companies pay a smaller tax burden, they allocate a larger budget to CSR activities (Siswana & Ratmono, 2024).

CEO Power

The chief executive officer (CEO), known as the principal director or president director in Indonesia, holds the top position among executives and oversees all company activities and operations (Sudana & Aristina, 2017). As an important person in management, the Chief Executive Officer (CEO) strongly impacts the organization's strategic choices, including financial and non-financial reports(Busenbark et al., 2016). The CEO needs the power to support his role in carrying out his responsibilities as a CEO. Therefore, the CEO can influence potential investors' investment decisions because investors are willing to buy company shares at a high price if they believe in the CEO's leadership (Sudana & Aristina, 2017).

The Effect of Corporate Social Responsibility (CSR) on Stock Price Volatility

Legitimacy and signaling theories can be used to explain the effect of CSR on stock price volatility. Based on legitimacy theory, companies that adopt social responsibility practices gain stakeholder trust. This is because the company meets the prevailing societal expectations in its operational activities. Good social trust through effective CSR management can strengthen investors' loyalty. Investors tend to feel safer investing in companies that prioritize social and environmental interests, not just financial returns (Mechrgui & Theiri, 2024). This can create stock price stability, which, in turn, will make it easier for companies to maintain good company value (Yulianti & Darmawati, 2024). Additionally, signal theory explains how a company's information acts as a signal to investors, influencing their choices (Tasnia et al., 2020). CSR will be a positive signal for investors to interpret a company's efforts to build good relationships with various stakeholders, including suppliers, employees, customers, and the broader community. Previous researchers have mentioned CSR as a good strategy to encourage shareholders to be more interested in a company. When a company transparently discloses more information related to CSR indicators, it will gain a good reputation because it cares about the environment and the surrounding community. This good reputation attracts investors to invest in these companies (Tasnia et al., 2020). Thus, fluctuations in stock price volatility will tend to be more stable or lower (Amri & Chaibi, 2023). This result shows the negative effect of CSR on stock price volatility. This negative result means that better disclosure of a company's CSR indicators will help maintain the stability of the company's stock price volatility (Amri & Chaibi, 2023; Dwidodo, 2022; Mechrgui & Theiri, 2024).

H1. CSR negatively affects stock price volatility.

The Role of Tax Payment Moderating the Effect of CSR on Stock Price Volatility

According to signal theory, a company's information acts as a signal to investors, influencing their choice to invest. Investors and shareholders, based on the signals obtained, will be more careful in determining investment decisions (Drempetic et al., 2020). Stakeholders' interests are not solely focused on the company's profits or expected dividends, but also on how the company impacts societal well-being (Tasnia et al., 2020). By comparing the total amount of tax paid by the company with the profit before tax, we can obtain the Effective Tax Rate (ETR), an indicator of tax payment measurement (Thomsen & Watrin, 2018). A high ETR reflects good tax compliance and can be a positive signal regarding the stability and transparency of a company in fulfilling its tax obligations, which in turn can stabilize stock price volatility and increase investor confidence (Mechrgui & Theiri, 2024). However, in the Accounting and Auditing Update titled Accounting of CSR-related Expenses, KPMG explained that the budget allocated for environmental and social activities is based on the previous year's net profit. Companies with a low ETR will likely allocate more resources to CSR activities. Conversely, a company with a high ETR pays a high tax burden. Thus, it is possible to reduce the budget for CS activities R (Siswana & Ratmono, 2024).

A large CSR budget results in greater disclosure of CSR indicators. In the eyes of investors, this raises the company's worth. The clarity of the company's economic, social, and environmental indicators can draw investors to purchase its stocks, thereby stabilizing the fluctuations of its stock price. Conversely, reducing the CSR budget leads to a more negligible disclosure of CSR indicators. Thus, it also reduces the stability of stock price volatility. This indicates that the role of tax payments can weaken the negative effect of CSR on stock price volatility (Amri & Chaibi, 2023; Mechrgui & Theiri, 2024; Tasnia et al., 2020).

H2. Tax payments moderate the negative effect of CSR on stock price volatility.

CEO Power Moderates the Effect of CSR on Stock Price Volatility

The chief executive officer (CEO) is an important part of the company that ensures the efficiency and smoothness of the optimal decision-making process and a transparent work environment (Zahroh & Hersugondo, 2021). The CEO determines the direction and strategy of a company's resources. The CEO also has the right to represent the company in matters relating to its extermal affairs and internal affairs (Fadilah & Venusita, 2024); theoretically, any company changes will impact the market value of its shares. A powerful CEO can independently determine the decisions to be taken, including those related to managing the budget allocated for CSR activities. In many cases, CEOs can use corporate social responsibility (CSR) programs to enhance a company's reputation in the eyes of investors and stakeholders (Liu et al., 2024). Investor confidence in a CEO's decisions affects the demand for shares in the market (Kalia, 2024). When investors are satisfied and happy with the policies set by the CEO, the demand for company shares also increases, affecting the stock price (Zahroh & Hersugondo, 2021). The stability of the stock price due to the disclosure of CSP Indicators reflects the low volatility of the stock price. Conversely, investors tend to be hesitant and less interested in investing if the CEO does not have full power to make decisions, including managing resources used for CSR. This uncertainty can affect stock price volatility stability. This finding shows the moderating effect of CEO Power on the influence of CSR on stock price volatility. CEOs with great power can strengthen the effect of CSR on stock price volatility, whereas CEOs with limited power can potentially weaken this effect (Liu et al., 2024; Zahroh & Hersugondo, 2021).

H3. CEO power moderates the negative effects of CSR on stock price volatility.

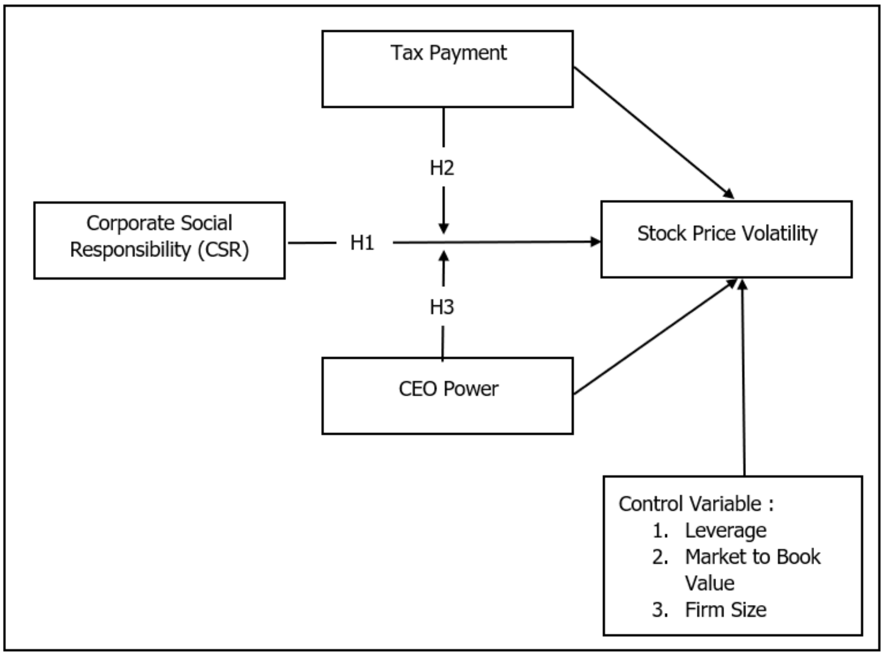

Figure 2. Conceptual Framework

Source: Research Data, 2025

RESEARCH METHODS

This quantitative research investigates the effect of independent and moderating factors on the dependent variable. This research focuses on manufacturing firms listed on the Indonesia Stock Exchange from 2021 to 2023. Purposive sampling was employed to choose samples according to established criteria. The companies are actively operating, publish sustainability reports and annual reports, disclose information on CSR metrics, and have comprehensive data for the variables examined in this study.

Table 1. Sample Selection Results

No	Sample Criteria	Total
1	Manufacturing firms that were listed between 2021 and 2023 on the IDX.	164
2	Manufacturing companies that are inactive and do not disclose annual reports from 2021 to 2023.	(18)
3	Manufacturing companies that do not disclose sustainability reports from 2021 to 2023.	(25)
4	Manufacturing firms who fail to include CSR indicators in their 2021–2023 sustainability reports.	(14)
Number of company samples		107
Year of research		3
Observation data		321

After going through the sample selection process based on predetermined criteria, 107 companies were identified as research samples, with three years of observation from 2021 to 2023. Thus, a total of 321 observational data points were obtained.

Table 2. Operational Definition of Variables

Variables	Definition	Indicator
Stock Price Volatility	Stock price volatility is a statistical assessment of fluctuations in stock price changes (Dwidodo, 2022).	$\text{PV} = \sqrt[2]{\frac{1}{n}\sum ln\,(\frac{Ht}{Lt})^2}$ PV = Stock Price Volatility Ht = Highest stock price in period t Lt = Lowest stock price in period t n = Total number of observations (Rosyida et al., 2020)
Corporate Social Responsibility (CSR)	Companies can use the Global Reporting Initiative (GRI G4) to disclose their activities' impact on the environment, society, and the economy. (Totanan et al., 2022).	$\sum XYi\,/Ni = \frac{\sum XYi}{Ni}$ ∑XYi = Total number of checklists per year Ni = number of items or number of items (Wulolo & Rahmawati, 2017)

Variables	Definition	Indicator
The Role of Tax Payment	Effective Tax Rate (ETR) is an indicator of the role of tax payment (Thomsen & Watrin, 2018).	$\mathrm{ETR} = \frac{Total\ Tax\ Expense}{Earning\ Before\ Tax}$ (Mechrgui & Theiri, 2024)
CEO Power	CEO tenure indicates the duration for which an individual occupies the CEO role (Velte, 2020).	$\mathrm{CEO}\ Tenure = Length\ of\ CEO's\ tenure$ (Zahroh & Hersugondo, 2021)
Leverage	A financial ratio called leverage compares a company's total liabilities and equity (Tasnia et al., 2020)	$LEV = \frac{Total\ Debt}{Total\ Equity}$ (Tasnia et al., 2020)
Market-To-Book Value	Compares the market value to the book value of the company (Shakil, 2021).	$MBV = \frac{Market\ Capitalization}{Book\ Value}$ (Chollet & Sandwidi, 2018)
Firm Size	Classification of the size of each company (Atan et al., 2018).	$Size = Ln\ (Total\ Asset)$ (Rudangga & Sudiarta, 2016)

This study uses panel moderation regression analysis because there are two moderating variables. This study also uses descriptive statistical, model selection, hypothesis, and moderation regression analysis tests. The analysis tool used was Eviews 13. The regression equation used in this research is as follows:

$$\mathbf{Y}_{\boldsymbol{it}} = \alpha + \beta_1 X_1 + \beta_2 Z_1 + \beta_3 Z_2 + \beta_4\, \boldsymbol{LEV} + \beta_5\, \boldsymbol{MBV} + \beta_6\, \boldsymbol{SIZE} + \varepsilon \text{..........(Model 1)}$$

$$\mathbf{Y}_{\boldsymbol{it}} = \alpha + \beta_1 X_1 + \beta_2 Z_1 + \beta_3 Z_2 + \beta_4 X_1 * Z_1 + \beta_5 X_1 * Z_2 + \beta_6\, \boldsymbol{LEV} + \beta_7\, \boldsymbol{MBV} + \beta_8\, \boldsymbol{SIZE} + \varepsilon \text{.......(Model 2)}$$

Description:

Y = Stock Price Volatility

α = Constant

β_1- β_8 = Regression Coefficient

X_1 = Corporate Social Responsibility

Z_1 = Role of Tax Payment
Z_2 = Chief Executive Officer's Power
$X_1 * Z_1$ = Interaction Corporate Social Responsibility and Role of Tax Payment
$X_1 * Z_2$ = Interaction Corporate Social Responsibility and Chief Executive Officer's Power
LEV = Leverage
MBV = Market to Book Value
Size = Firm Size
ε = Error

RESEARCH RESULTS AND DISCUSSION

Descriptive statistical analysis was carried out in this study to evaluate the quality and characteristics of the collected data. We can provide a comprehensive picture of the data distribution by calculating the average, maximum, minimum, and standard deviation values. Stock price volatility (Y), CSR (X), the tax payment role (Z1), CEO Power (Z2), leverage (LEV), market-to-book value (MBV), and firm size (SIZE) are the factors that are the subject of this study. The results of the descriptive analysis are as follows:

Table 3. Descriptive Statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Obs.
VOL	0.070	0.045	2.686	0.012	0.197	321
CSR	0.296	0.297	0.571	0.099	0.077	321
ETR	0.212	0.219	5.283	-5.745	0.552	321
CEO	8.019	4.000	52.000	0.000	10.142	321
LEV	0.175	0.665	6.414	-235.217	13.217	321
MBV	0.334	1.041	44.857	-563.506	31.864	321
SIZE	28.892	28.661	34.485	24.655	1.724	321

The average value of stock price volatility (Y) is 0.070, with a minimum value of 0.012, maximum value of 2.686, and standard deviation of 0.197. Using the GRI G4 standard, the CSR (X) value ranged from a minimum of 0.099 to a maximum of 0.571, with a standard deviation of 0.077 and an average of 0.296. Proxied by the ETR, the role of tax payments (Z1) ranges from -5.745 to 5.283, with a standard deviation of 0.552 and an average of 0.212. CEO Power (Z2) proxied by CEO Tenure or the length of CEO tenure has a minimum value of zero years found in several companies, with a maximum value of 52 years found in Ultrajaya Milk Industry and Trading Company Tbk, with an average of 8.019 and a standard deviation of 10.142. Leverage (LEV) is a control variable, ranging from -235.217 to 6.414, with an average of 0.175 and a standard deviation of 13.217. The market-to-book value (MBV) also acts as a control variable, with a minimum of -563.506 to a maximum of 44.857, with an average of 0.334 and a standard deviation of 31.864. Firm size (SIZE) is the control variable used by researchers, with a minimum value of 24.655 to a maximum value of 34.485, an average of 28.892, and a standard deviation of 1.724.

This research uses data from manufacturing firms listed on the Indonesia Stock Exchange that meet the established sample criteria for three years. The combined time series and cross-sectional data are analyzed using panel data regression analysis, which necessitates the choice of a suitable regression model. The three regression models employed in panel data analysis are the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Selection tests like the Lagrange Multiplier, Hausman, and Chow tests are used to identify the best model.

Table 4. Model Selection Test

Type of Test	F-Value	Chi-square	Cross-section	P-Value	The Right Model
Chow Test (Cross-section F)	5.488	0.000	0.000	0.000	FEM
Chow Test (Cross-section Chi-square)	422.679	0.000	0.000	0.000	FEM
Hausman Test (Cross-section random)	0.000	1.895	0.000	0.169	REM
Lagrange Multiplier Test (Breusch-Pagan)	0.000	0.000	112.583	0.000	REM

The Chow test selects the most suitable model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). The results displayed in the table indicate that the probability value for the cross-section F and Chi-square is 0.0000. As this value is less than 0.05, the Fixed Effect Model (FEM) is seen as more suitable. The following step involves the Hausman test, which assists in choosing the most appropriate model between the Fixed Effect Model (FEM) and Random Effect Model (REM). The table displays a random probability of 0.1686 from a cross-section. Given that this value is more than 0.05, the Random Effect Model (REM) is deemed more appropriate than the FEM. The final step is the Lagrange Multiplier test because the Chow and Hausman tests produce varying outcomes. This assessment identifies the most suitable between the Common Effect Model (CEM) and the Random Effect Model (REM). The findings indicate a cross-section Breusch-Pagan probability value of 0.0000. A probability value below 0.05 signifies that the Random Effect Model (REM) is the most suitable. Consequently, this research examines the Random Effect Model (REM).

After identifying the best-suited panel data regression model, researchers evaluated the research hypothesis through moderation regression analysis. This research examines two moderating factors, the influence of tax payments (Z1) and CEO Power (Z2), to assess if the moderating factor enhances or diminishes the effect of the independent variable on the dependent variable.

Table 4. Analysis Test Results

Hypothesis	β	t-Statistic	Std. Error	Prob.	Decision
H1	-0.312	-2.314	0.135	0.021	Accepted
H2	-2.005	-8.524	0.235	0.000	Accepted
H3	-0.006	0.501	0.011	0.616	Rejected

The initial hypothesis of this research investigates how CSR influences stock price volatility. The test utilized the regression approach, treating the CSR variable as independent and stock price volatility as dependent variables. The test results indicate that the CSR variable (X) coefficient is -0.312, with a probability of 0.021. A probability value below 0.05 suggests that the CSR variable affects stock price volatility negatively, as shown by the regression coefficient's negative value. This test's results provide evidence supporting this study's first hypothesis.

A coefficient value of -0.312 indicates that CSR hurts stock price volatility. This implies that a company's CSR disclosure reduces the value of stock price volatility. Thus, companies that actively disclose CSR activities tend to have more stable stock prices. This stock price stability reflects the low stock value fluctuation within a certain period, an important indicator for investors in assessing investment risk. Companies with low stock price volatility show more controllable stock price movements and do not experience drastic changes in the short term. This condition provides a positive signal for investors because more stable company stocks generally have lower risk than stocks with high fluctuations.

The results of this research align with those of Mechrgui & Theiri (2024), who find that CSR negatively affects stock price volatility. Similar findings were revealed by Amri & Chaibi (2023) and Su & Zhou (2023), who showed that greater CSR disclosure is associated with lower stock price volatility. This effect can be explained through signaling theory, where the information disclosed in CSR reports, including economic, social, and environmental indicators, serves as a positive signal to investors. With transparent CSR disclosure, investors can better understand a company's condition and performance before making investment decisions. CSR is an effective strategy for increasing a company's attractiveness to shareholders and potential investors. Companies that actively disclose CSR indicators will be viewed more positively by the market as they demonstrate a commitment to sustainability in their business operations. This commitment reflects that the company is profit-oriented and cares about its social and environmental impacts. When investors are interested in companies with good social responsibility, the demand for their shares also increases. This increase in demand affects the stability of stock prices in the market. A more stable stock price benefits a company by reducing the risk of stock price fluctuations. Thus, consistent CSR disclosure serves as a form of regulatory compliance, social responsibility, and a business strategy that can help maintain stable stock price volatility. Therefore, companies with strong CSR policies can attract more investors and create stable or low stock price volatility (Amri & Chaibi, 2023).

Similar to the first hypothesis, the second hypothesis of this study is also supported. The second test examines how tax payments moderate the relationship between CSR and stock price volatility. The findings of the moderation test show that the negative effect of CSR on stock price volatility is moderated by tax payments, with a significance value of 0.000. Based on the regression coefficient value of -2.005, tax payments can potentially weaken the effect of corporate social responsibility on stock price volatility. The effect of CSR on stock price volatility will be reduced if the company pays a large amount of tax. However, the impact of CSR on stock price volatility will strengthen if the company pays small taxes.

This research assesses the role of tax payments through the effective tax rate (ETR), which compares the total tax burden paid to profit before tax. A high ETR value indicates that the tax burden that the company must pay is also large, thus reducing the CSR budget issued by the company. Reducing the CSR budget can potentially increase stock price volatility because investors see a decrease in CSR activities as a negative signal regarding the company's sustainability and compliance with social responsibility. Thus, higher ETR values may weaken the influence of CSR in maintaining stable stock price volatility.

These results back the study performed by Mechrgui & Theiri, (2024), and Amri & Chaibi (2023), who also state that the role of tax payments can moderate the influence of CSR variables in reducing stock price volatility. In this study, most manufacturing companies sampled showed an increasing trend in the Effective Tax Rate (ETR) from year to year. The increase in ETR reflects an increase in the tax burden that companies must pay, which ultimately reduces budget allocation for CSR programs. This moderates the role of tax payments by weakening the effect of CSR on stock price volatility.

In contrast to previous results, the third hypothesis of the study, which examines the moderating effect of CEO power on the relationship between CSR and stock price volatility, is not supported. CEO Power is one of the moderating variables measured using the CEO Tenure proxy, or the length of tenure of a CEO. The moderation test results show a significance value of 0.616 and a coefficient of -0.01. Since the significance value exceeds 0.05, this indicates that CEO power does not strengthen or weaken the negative effect of CSR on stock price volatility. This indicates that the more extended the CEO's tenure, the greater their ability to affect the level of CSR disclosure by a company.

These results are consistent with the study by Zahroh & Hersugondo (2021), which indicates that companies with new CEOs are generally more willing to approve CSR disclosures than those led by long-serving CEOs. New CEOs are more courageous in taking strategic innovation to pursue company goals than old ones. New CEOs are more open to change and adopt progressive policies, including CSR disclosure. This step is taken to build a better corporate image in the eyes of investors and other stakeholders. Therefore, it is easier to implement new changes. Meanwhile, CEOs with longer tenures tend to be more conservative when making strategic decisions, including CSR policies. They are more focused on the company's stability and are often reluctant to make significant, risky changes.

Research conducted by Zahroh & Hersugondo (2021) also stated that significant decisions made by a CEO can occur when the CEO has served for two and a half years of his tenure. Meanwhile, most manufacturing companies sampled in this study made CEO changes in 2021, 2022, and 2023. This means the length of their leadership as CEO is zero years or only a few months. As a new CEO, he has been unable to make significant changes because his tenure has not reached two-and-a-half years. Therefore, the third hypothesis of the study was not supported.

CONCLUSION

This research examines the moderating effect of the role of tax payments and CEO power in the relationship between CSR and stock price volatility in manufacturing sector firms listed on the Indonesia Stock Exchange (IDX) for three years of observation. The results showed a negative and significant influence between CSR corporate practices on stock price volatility. This aligns with the signaling theory, which suggests that when a company transparently reveals its efforts in CSR activities, it aids in maintaining stakeholder trust. Thus, it will be easier for the company to keep stock price fluctuations or stock price volatility. In addition, this study also found evidence that there is a moderating effect of the role of tax payments where the variable weakens the influence of CSR and stock price volatility. However, this does not apply to the chief executive officer's power. The CEO's power, as assessed by the duration of their tenure, cannot moderate the effect of CSR on stock price volatility.

Based on the findings of this study, researchers suggest that companies that run their businesses should properly implement CSR practices. This will help the company to maintain stock price movements or fluctuations. The company can attract more investors when stock price fluctuations are gentle or stable because they indicate a lower investment risk. However, this research still has limitations, as it was only conducted in Indonesia and only used the manufacturing sector. It is expected that future research can expand the sector and even the country used in the research sample to increase the generalizability of the research and consider other factors or variables that can affect stock price volatility. Future research could also consider the moderating role of different variables, such as financial distress variables. In addition, a longer observation period will allow researchers to obtain more accurate results.

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