SNEFR:
Siber Nusantara of Economic and Finance Review
E-ISSN : 3089-1892
+62 822 1012 3600 https://research.e-siber.org/SNEFR siberpublisher.info@gmail.com

DOI: https://doi.org/10.38035/snefr.v2i2

Analysis Societal Trust, Growth Opportunity, Financial Risk, and Stock Returns

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Abstract: Much researchs have been done on financial factors that effect performance and firm value. The research gap in these studies is that previous studies have shown mixed results, while the role of performance as an intervening on stock returns, as another manifestation of investor reaction, is still limited. This study aims to analyze the role of performance in mediating the effect of societal trust, growth opportunity, and financial risk on stock returns in LQ45 companies on the IDX during the 2020-2025 period. Samples were drawn using a purposive sampling technique based on the consistency of companies included in the LQ45 issuer list and data completeness. The data analysis design uses panel data regression analysis. The results show that there are a positive effect of growth opportunity and a negative effect of financial risk on performance; as well as the positive effect of performance on stock returns. Performance mediates the effect of growth opportunity on stock returns. This finding, as a research novelty, indicates that societal trust, growth opportunity, and financial rik in LQ45 companies in Indonesia have not yet formed a complete value chain for stock returns through performance. The resulting value chain is only formed indirectly by growth opportunity.

Keywords: Stock Returns, Company Performance, Societal Trust, Growth Opportunity, Financial Risk

Indonesian Abstract: *Telah banyak diteliti faktor-faktor keuangan yang mempengaruhi kinerja dan nilai perusahaan. Kesenjangan penelitian dalam studi ini adalah bahwa studi sebelumnya menunjukkan hasil yang beragam, sementara peran kinerja perusahaan sebagai intervening dari return saham, sebagai wujud lain dari reaksi investor, masih terbatas. Penelitian ini bertujuan untuk menganalisis peran kinerja perusahaan dalam memediasi pengaruh* societal trust, growth opportunity, *dan* financial risk *terhadap return saham pada perusahaan-perusahaan LQ45 di BEI selama periode 2020-2025. Sampel diambil melalui teknik purposive sampling berdasarkan konsistensi perusahaan masuk dalam daftar emiten LQ45 dan kelengkapan data. Rancangan analisis menggunakan analisis regresi data panel. Hasil penelitian menunjukkan adanya pengaruh positif dari growth opportunity dan pengaruh negatif dari financial risk terhadap kinerja perusahaan; serta pengaruh positif dari kinerja perusahaan terhadap return saham. Kinerja perusahaan memediasi pengaruh growth opportunity terhadap return saham. Temuan ini, sebagai kebaruan penelitian, mengindikasikan bahwa societal trust, growth opportunity, dan* financial risk *pada perusahaan LQ45 di Indonesia belum membentuk rantai nilai yang lengkap terhadap return saham melalui* *kinerja perusahaan. Rantai nilai yang dihasilkan sebatas dibentuk secara tidak langsung oleh* growth opportunity.

Keywords: *Return Saham, Kinerja Perusahaan,* Societal Trust*,* Growth Opportunity*,* Financial Risk

INTRODUCTION

As a stock index, the LQ45 index measures the price performance of 45 stocks with high liquidity and large market capitalization, supported by sound corporate fundamentals. Corporate fundamentals are reflected in reported financial performance, including revenue growth, net profit, and healthy financial ratios. Stocks that meet the criteria are periodically evaluated and updated to ensure the LQ45 index continues to reflect the best and most liquid stocks on the Indonesia Stock Exchange.

During the 2014-2025 period, the LQ45 index has tended to fluctuate. The LQ45 index fell from 898.58 to 792.03 in 2015; rose to 884.62 and 1079.39 in 2016-2017; fell to 982.73 in 2018, and rose to 1014.47 in 2019. It fell to 934.89 and 931.41 in 2020-2021; rose to 937.18 and 970.57 in 2022-2023; fell to 826.65 in 2024; and rose again to 846.57 in 2025. The causes of these LQ45 index fluctuations are still unknown. However, it appears that the decline in the LQ45 index occurred in years when financial statement manipulation cases were uncovered, such as the Garuda Indonesia, Indofarma, and Wanartha Life cases (2020-2022), as well as the Indofarma and Delta cases (2024) (Kompasiana, 2024a; 2024b; 2024c).

The factors influencing company performance and value have been extensively researched. Among them, Boachie & Mensah (2022) examined the effect of financial factors on performance. Similarly, Simamora et al. (2022) examined the effect of financial factors on firm value. In the study by Boachie & Mensah (2022), earnings management, financial risk, firm size, growth opportunity, firm age, IFRS adoption status, and asset tangibility were examined for their effect on company performance as measured by return on assets. The findings of Boachie & Mensah's (2022) study showed that earnings management and growth opportunity had a positive effect on performance, while financial risk had a negative effect. In the study by Simamora et al. (2022), earnings management, growth opportunity, operating cash flow, financial risk, including company performance (firm profitability: return on assets), and financial distress were examined for their effect on firm value. Firm value was measured using Tobin's Q. The findings of Simamora et al.'s (2022) study showed that earnings management and financial distress had a negative effect on firm value, while financial risk, growth opportunity, and company performance had a positive effect. Based on the studies by Boachie & Mensah (2022) and Simamora et al. (2022), a more in-depth investigation is needed to determine the true effect of financial factors on other forms of investor reaction to stock price changes, such as stock returns. Specifically, based on previous researchs, the effects of societal trust, growth opportunity, and financial risk on stock returns through company performance as an intervening variable remain unrevealed in the studies of Boachie & Mensah (2022) and Simamora et al. (2022). Return is a motivating factor for investors and are a reward for their willingness to take risks in their investments (Tandelilin, 2019), while stock returns are returns investors receive from buying and selling activities in the stock market (Bansal et al., 2021). Stock returns are products of price discovery, processes that can be affected by several factors, including societal trust, growth opportunity, financial risk, and company performance.

The empirical study in this study was conducted as an implication of the research by Boachie & Mensah (2022) and Simamora et al. (2022) and relevant previous research to further investigate the effect of societal trust, growth opportunity, and financial risk on company performance and stock returns. Similarly, to examine the mediating effect of these three factors on stock returns through company performance as an intervening variable. In this study, company performance will be measured as profit performance, as in the study by Boachie & Mensah (2022), but with earnings per share (EPS) as a substitute for return on assets. Profit performance measures a company's efficiency in generating revenue relative to its costs, assets, or equity and serves as a key indicator of business success. EPS is considered a popular and widely used benchmark for profit performance. EPS is also a key factor supporting strategic decision-making, such as stock valuation, management performance incentive schemes, and merger and acquisition negotiations (Endri et al., 2019). However, the mediating function of EPS has been relatively understudied compared to other financial performance proxies.

The basis for modeling company performance as an intervening variable, in addition to its relevance in mediating the effect of societal trust, growth opportunity, and financial risk on stock returns, is to further investigate the previous researchs. This is needed to determine whether the role of financial reporting quality in the stock market is also mediated by company performance, as an important intervening variable in the relationship between accounting information and stock returns. This investigation is crucial amidst the paucity of empirical research examining how investors react to an entity's accounting quality when making investment decisions in the stock market, particularly as measured by societal trust, growth opportunity, and financial risk, as well as company performance.

The grand theory used as the theoretical basis in this research is stock price theory. The middle-range theory used is signaling theory, while relevant substantive theories include theories of stock returns, company performance, societal trust, growth opportunity, and financial risk. From a stock price theory perspective, stock returns can be modeled as a stock price model affected by various risk factors. Based on various stock price analysis models (Hartono, 2022; Manurung, 2019), the stock price model relevant to this research is the multifactor model. In the multifactor model used, stock returns are modeled as a linear function of a number of risk factors, consisting of fundamental factors. In this study, the fundamental factors examined are micro factors, namely: societal trust, growth opportunity, and financial risk, with company performance as an intervening factor.

The research questions are as follows:

1) Does societal trust affect company performance?
2) Does growth opportunity affect company performance?
3) Does financial risk affect company performance?
4) Does societal trust affect stock returns?
5) Does growth opportunity affect stock returns?
6) Does financial risk affect stock returns?
7) Does company performance affect stock returns?
8) Does company performance mediate the effect of societal trust on stock returns?
9) Does company performance mediate the effect of growth opportunity on stock returns?
10) Does company performance mediate the effect of financial risk on stock returns?

METHOD

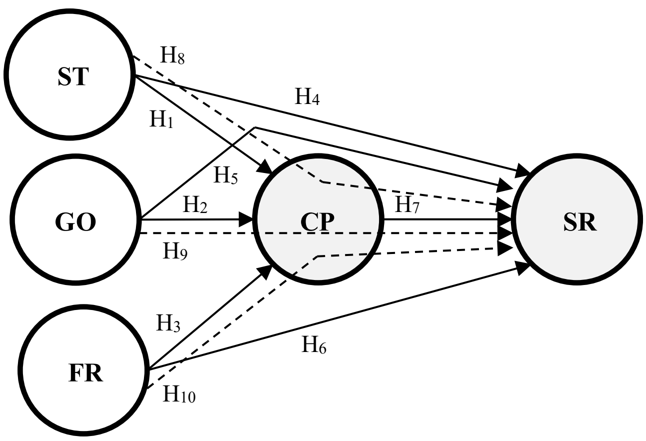
This study was designed as an explanatory study (hypothesis testing) using a causality approach, aiming to explain the causal relationship (effect) between variables through hypothesis testing (Sekaran & Bougie, 2020). The causal relationship tested was the effect of societal trust, growth opportunity, and financial risk on stock returns, with company performance as an intervening factor.

The unit of analysis is the LQ45 company listed on the Indonesia Stock Exchange (BEI) for the 2020-2025 period. As a combination of all analysis units (Maholtra, 2017), the target population is all LQ45 companies that went public on the IDX with a population size of 45 companies. Samples were taken from the target population using a purposive sampling technique (Riduwan & Kuncoro, 2021), namely non-probability sampling (Maholtra, 2017), based on the criteria for consistency of companies included in the LQ45 list of issuers and completeness of data. Based on the consistency and completeness of the data in the period studied, the sample size was set at 23 companies.

The data used is secondary data in pooled data formation through documentation studies. Data was collected from the Indonesian Stock Exchange (BEI) via the site www.idx.co.id and the Yahoo! finance. As a data source, the observation unit studied is the company's annual report which contains audited financial reports along with historical data on share prices and dividends for each company in the research sample. The dependent variable is Stock Return (SR). Stock return is measured using total stock return as the total value of capital gains (losses), which is the return that reflects the profit (loss) from the increase (decrease) in stock prices; and yield, which is the return that reflects the cash flow or income obtained periodically from an investment (dividend distribution on company profits) (Susilo, 2019). The independent variables are Societal Trust (ST), Growth Opportunity (GO), and Financial Risk (FR). Societal Trust (ST) is measured through the proxy of direct stock market participation as the proportion of public ownership of shares (Guiso et al, 2008, in Sun, 2020). Growth Opportunity (GO), as a size effect of assets, is measured by asset growth as an extension of assets (Dang et al., 2019). Financial Risk (FR) is measured using the financial leverage proxy, the Debt to Asset Ratio (DAR), as cited in Simamora et al. (2022), Boachie & Mensah (2022), and Brigham & Houston (2019). The intervening variable, Company Performance (CP) is measured as a company's profit performance, as in the study by Boachie & Mensah (2022), using earnings per share (EPS) (Endri et al., 2019).

The data analysis method used is panel data regression. By combining inter-individual differences and intra-individual dynamics, panel data has advantages over cross-sectional or time-series data (Hsiao, 2006; Gujarati & Porter, 2013). The hypothesis about the effect between variables is tested using the t-test, while the hypothesis about mediation is tested using the Sobel test. Data processing was performed using EViews 12.

The conceptual framework of the effect of societal trust (ST), growth opportunity (GO), and financial risk (FR) on stock returns (SR) as mediated by company performance (CP) is schematized in Figure 1.



Source: Research Result

Figure 1. Conceptual Framework

RESULTS AND DISCUSSION

Result

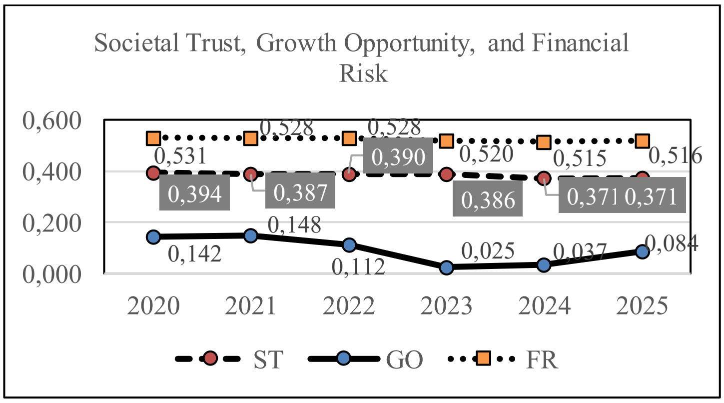
Descriptive Analysis

Descriptive analysis of societal trust (ST), growth opportunity (GO), and financial risk (FR), as well as company performance (CP) and stock returns (SR) in companies indexed by the LQ45 on the Indonesia Stock Exchange can be seen in Table 1 and Figures 2 and 3. Figure 2 shows that during the 2020-2025 period, in terms of average comparison, societal trust decreased in 2021, increased in 2022, and tended to decrease since 2023. However, with a range of public ownership proportions between 37.1% and 39.4%, the changes were relatively small. Likewise, growth opportunity, in contrast to societal trust, increased in 2021, decreased since 2022-2023, and increased again in 2024-2025. Meanwhile, financial risk increased and stagnated in 2021-2022, decreased in 2023-2024, and increased slightly in 2025. However, within the range of 51.5%-53.1%, the change was also relatively small, as was the case with societal trust. Figure 3 shows that company performance increased in 2021-2022, then tended to decline in 2023-2025. Stock returns tended to fluctuate, decreasing in 2021, increasing in 2022, decreasing in 2023, and then increasing again in 2024-2025.

Table 1. Descriptive Analysis

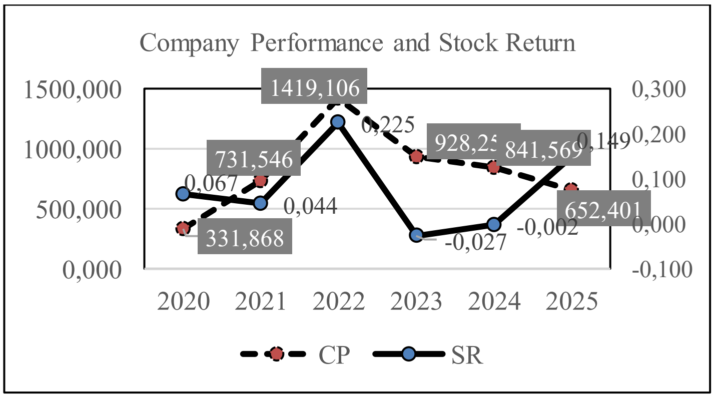
	Mean	Std. Deviation	Minimal	Maximal
Societal Trust	0.383	0.098	0.146	0.660
Growth Opportunity	0.019	0.199	-0.360	1.676
Financial Risk	0.523	0.241	0.114	0.936
Company Performance	817.457	1833.107	-276.000	16593.560
Return Saham	0.076	0.296	-0.473	1.307

Source: Research Data



Source: Research Result

Figure 2. Societal Trust, Growth Opportunity, and Financial Risk for the 2020-2025 Period



Source: Research Result

Figure 3. Company Performance and Stock Returns for the 2020-2024 Period

Regression Analysis

The classical assumption test (Ghozali, 2021; Hair et al., 2019) required for panel data regression analysis in the common effect model shows that, in all structural models analyzed, the residual data are normally distributed (Kolmogorov-Smirnov is not significant) and there is no multicollinearity situation (Variance Inflation Factor [VIF] < 10) and no heteroscedasticity situation (F in the Park test is not significant). The results of the classical assumption test can be seen in Table 2.

Table 2. Classical Assumption Test

	Company Performance (1)	Stock Returns (2)
Normality		
Kolmogorov-Smirnov	0.075	0.086
	(0.176)	(0.200)
Multicollinearity		
VIF (societal trust)	1.018	1.029
VIF (growth opportunity)	1.011	1.301
VIF (financial risk)	1.008	1.079
VIF (kinerja perusahaan)		1.355
Heteroscedasticity		
Park Test F-value	2.042	1.115
	(0.113)	(0.356)

The numbers in brackets ( ) are the p-values with a significance level of 5%

Source: Research Data

The panel data model selection test shows that the best panel data model for company performance is the fixed effect model (FEM), where the Likelihood Ratio test results are significant, as are the Hausman test results. Meanwhile, the best panel data model for stock return models is the common effect model (CEM), where the Likelihood Ratio and Hausman tests are non-significant, and the Lagrangian Multiplier test is non-significant. The results of the panel data model selection test can be seen in Table 3.

Table 3. Selection of Panel Data Model

	Company Performance (1)	Stock Returns (2)
Likelihood Ratio Test		
Chi-square	126.516	20.986
	(0.000)	(0.338)
	FEM is better than CEM	CEM is better than FEM
Hausman Test		
Chi-square	8.220	1.932
	(0.042)	(0.748)
	FEM is better than REM	REM is better than FEM
Lagrangian Multiplier		
Chi-square	-	0.536
		(0.464)
		CEM is better than REM
Best Panel Data Model	FEM	CEM

The numbers in brackets ( ) are the p-values with a significance level of 5%

Source: Research Data

Regression analysis on the company performance model (FEM) shows that growth opportunity (GO) has a significant positive effect on company performance (CP), and financial risk (FR) has a negative effect, while societal trust (ST) is non-significant. The GO coefficient is 541.944, which is statistically significant at the 5% level in a one-sided test. The direction of the GO effect is positive. Meanwhile, the FR coefficient is -429.636, which is also significant. The direction of the FR effect is negative. Meanwhile, the ST coefficient is -328.688, which is non-significant. Thus, hypothesis H_1 is rejected, while H_2 and H_3 are accepted. These results indicate that company performance will increase with increasing growth opportunity and financial risk. The results of the complete regression analysis and mediation test can be seen in Tables 4 and 5.

The regression analysis on the stock return model shows that company performance (CP) has a significant positive effect on stock return (SR), while societal trust (ST), growth opportunity (GO), and financial risk (FR) are non-significant. The CP coefficient is 0.0003, which is statistically significant at the 5% level in a one-sided test. The direction of the CP effect is positive. Meanwhile, the ST, GO, and FR coefficients, namely -0.145, -0.243, and 0.040, are non-significant. Thus, hypotheses H_4, H_5, and H_6 are rejected, while H_7 is accepted. These results indicate that stock returns will increase along with improved company performance.

Table 4. Regression Analysis

	Company Performance (1)	**Stock Returns (2)**
Societal Trust	-328.688 (0.743)	-0.145 (0.801)
Growth Opportunity	541.944* (0.0001)	-0.243 (0.945)
Financial Risk	-429.636* (0.047)	0.040 (0.254)
Company Performance		0,0003* (0.0005)
Constant	599.287* (0.009)	0.060 (0.420)
F-value	13.440*	3.741*
	(0.000)	(0.008)
R	0.889	0.405
R-square	0.791	0.164
Adjusted R-square	0.732	0.121

* Significant on $\alpha = 0.05$
The numbers in brackets are the p-values with a significance level of 5%
Source: Research Data

Table 5. Meditation Test

	Regression Coef. on the First Path: ST, GO, FR → CP (a)	**Regression Coef. on the Second Path: CP → SR (b)**	**Z_{ab}**
ST → CP → SR	-328.688 [500.771]	0.0003* [0.0001]	-0.645 (0.740)
GO → CP → SR	541.944* [126.982]	0.0003* [0.0001]	2.670* (0.004)

FR → CP → SR	-429.636* [252.741]	0.0003* [0.0001]	-1.522 (0.064)

* Significant on α = 0.05 (
The numbers in brackets ( ) are the p-values with a significance level of 5%
The numbers in brackets [ ] are the standard errors of the regression coefficients
Source: Research Data

In signaling theory, signaling motivation encourages management to provide positive information and withhold negative information for a certain period of time in the presentation of financial reports in the hope of signaling prosperity to shareholders (Brigham & Houston, 2019). In the capital market, investors rely on audited financial reporting to provide information about a company's condition before making investment decisions. Improving the quality of information about public company management will reduce risk for investors and assist them in pricing their investments (Brigham & Houston, 2019). Similarly, increased societal trust from investors, through increased public participation in share ownership, will also reduce risk for investors, which also affects company value (Zhang et al., 2024). Public company managers' efforts to affect investor decisions to increase company value can be carried out by managers through signaling optimization of operational performance, public participation, and company profit performance. Improved operational performance can be indicated by increased growth opportunity, in the size effect, as a determinant of market reaction that promises investment growth opportunity for shareholders (Dang et al., 2019). This also includes reduced financial risk, namely the risk borne by shareholders above the company's basic business risk resulting from the use of financial leverage (Brigham & Houston, 2019). High levels of societal trust, growth opportunity, and financial risk, as well as earnings performance, can be positive signals that can trigger increased stock returns. As determinants of stock returns; societal trust, growth opportunity, and financial also serve as determinants of company performance.

The concept of societal trust developed from the research of Sapienza & Zingales (2012, cited in Zhang et al., 2024) who demonstrated that in macroeconomics since the 1990s societal trust, as a crucial element of social capital, is a root cause of the strength or weakness of a country's financial system. Social trust, including social network, has intrinsic value and can be leveraged for support, resources, and opportunities (van Bakel & Horak, 2024). They play a crucial role in facilitating cooperation within a community, particularly during crises (Wu, 2021). In addition to consumption, staple food prices, and unemployment rates as important signals in predicting economic conditions, societal trust is also increasingly emerging as a key determinant in explaining economic crises, due to the weakness of a country's financial system. The collapse of societal trust in the United States financial system (trust crisis) triggered an economic crisis in that country in 2008 and subsequently spread throughout the world to become a global economic crisis. When investment bank Lehman Brothers defaulted in the financial markets, despite its very limited lending to the real economy, societal trust in the financial system immediately declined drastically and triggered a sluggish investment, funding, and trade activity (Zhang et al., 2024). Increased societal trust will encourage corporate growth, higher economic growth, and greater development (Sun, 2020). Societal trust is a powerful motivator of economic behavior. In markets, including capital markets, differences in societal trust levels will affect plans to increase or decrease investment. A reason why individuals choose not to invest in stocks is due to their low trust in the system and the market (Guiso et al., 2008, cited in Sun, 2020). Guiso et al. (Sun, 2020) also shows that societal trust has a very high correlation with direct stock market participation, measured as the proportion of public stock ownership. Previous studies have also shown that social trust and social network have a positive effect on financial well-being (Laila et al., 2025). A study by Jha et al. (2024) also linked societal trust to corporate bankruptcy, as indicated by speed of resolution, quality of outcome, and lost value. These include studies by Tang et al. (2025), which linked societal trust to trade credit funding and financial distress; Ahn and Akamah (2022), which linked societal trust to going concern; Zhang et al. (2024), Sun (2020), and Ngwa (2016) which linked societal trust to company performance; and Zhang et al. (2024), Sapienza & Zingales (2012, cited in Zhang et al., 2024), and Guiso et al. (2008, cited in Sun, 2020), which linked societal trust to stock returns.

Growth opportunity, based on firm size, is a relevant factor for modeling market decision factors (Dang et al., 2019). Firm size, within the size effect, is a crucial factor influencing market reaction, including company performance. In corporate finance, firm size has generally been widely used as an important and fundamental firm characteristic. Boachie & Mensah (2022) and Simamora et al. (2022) also include firm size as factors influencing company performance and market reaction in the stock market. In this study, firm size is examined as a size effect of growth opportunity, namely asset growth, as an extension of assets (Dang et al., 2019). Previous studies that link growth opportunity to company performance include Dang et al. (2019), Boachie & Mensah (2022), Bashaija (2022), and Wu et al. (2020); while those that link growth opportunity to stock returns include Dang et al. (2019), Simamora et al. (2022), Huang & Ho (2020), Boachie & Mensah (2022), and Dini et al. (2023).

In modeling market decision factors, including market reaction, financial risk is a crucial determinant (Simamora et al., 2022; Boachie & Mensah, 2022). Increased financial risk, the risk borne by shareholders above the company's basic business risk resulting from the use of financial leverage (Brigham & Houston, 2019), will trigger a negative market reaction. Financial leverage is the proportion of debt to assets, acting as leverage within the asset structure. High financial risk will limit a company's growth opportunity and reduce its ability to pay dividends due to high interest payments. Boachie & Mensah (2022) and Simamora et al. (2022) show that financial risk is an important determinant in modeling market decision factors, including market reactions. Previous studies that link financial risk to company performance include Brigham & Houston (2019), Boachie & Mensah (2022), Wu et al. (2020), Bashaija (2022), and Khuzairina et al. (2024); while those that link financial risk to stock returns include Brigham & Houston (2019), Andreou et al. (2021), and Babi (2015).

Regarding the linkage of company performance to stock returns, Andreou et al. (2021) found improved company performance provides a positive signal to investors regarding regarding the optimization of the company’s profit performance will increase the company's stock returns. Simamora et al. (2022) revealed that improved company performance will increase stock prices and company value. Babi (2015) also found a positive effect of company performance, as measured by earnings per share, on stock returns. Similarly, Nugroho et al. (2021) showed that company performance positively affects stock returns. However, the study by Khuzairina et al. (2024) showed that company performance had no effect on stock returns.

The research findings showing a positive effect of growth opportunity on company performance indicate that increasing growth opportunity, as a size effect, namely asset growth (Dang et al., 2019), can boost company performance. This finding aligns with research by Dang et al. (2019), which revealed that the size effect is a significant factor in company performance. This finding also aligns with research by Boachie & Mensah (2022), Simamora et al. (2022), and Bashaija (2022), which demonstrated a positive effect of growth opportunity on company performance. However, this contrasts with the results of Wu et al.'s (2020) study, which showed no effect from growth opportunity.

The negative effect of financial risk on company performance indicates that decreasing financial risk, namely the risk caused by the use of financial leverage, will improve company performance (Brigham & Houston, 2019). This finding aligns with research by Boachie & Mensah (2022), Wu et al. (2020), and Bashaija (2022), which demonstrated a negative effect of financial risk on company performance. The insignificant positive effect of societal trust on company performance is due to the weak effect of societal trust in LQ45 companies. This finding is inconsistent with the studies by Sun (2020) and Zhang et al. (2024). However, it aligns with the results of Ngwa's (2016) study, which showed no effect of societal trust on company performance. Increasing societal trust, as measured by the proportion of public ownership (Guiso et al., in Sun, 2020), has not consistently driven improved company performance. In practice, its function is not considered important by some companies.

Research findings showing a positive effect of company performance on stock returns indicate that increased company performance, as measured by profit performance (Boachie & Mensah, 2022) and earnings per share (Endri et al., 2019), can boost stock returns. This finding aligns with research by Endri et al. (2019), which revealed that earnings per share is a key factor supporting strategic decision-making. This is also in line with the results of studies by Andreou et al. (2021), Simamora et al. (2022), Babi (2015), and Nugroho et al. (2021). However, this contrasts with the results of the study by Khuzairina et al. (2024), which showed that company performance had no effect on stock returns. The insignificant effect of societal trust, growth opportunity, and financial risk on stock returns indicates that increasing societal trust, growth opportunity, and financial risk in LQ45 stock investment practices are not considered by investors as consistent predictors of returns. The finding of the insignificant effect of societal trust is inconsistent with the results of studies by Zhang et al. (2024), Sun (2020), Sapienza & Zingales (2012, in Zhang et al., 2024), and Guiso et al. (2008, in Sun, 2020), which show a positive effect of societal trust on stock returns. Regarding growth opportunity, this finding is inconsistent with the studies by Dang et al. (2019), Boachie & Mensah (2022), Simamora et al. (2022), and Huang & Ho (2020), which showed a positive effect of growth opportunity on stock returns. This also differs from the study by Dini et al. (2023), which showed a negative effect of growth opportunity on stock returns. Regarding financial risk, this finding is inconsistent with the studies by Brigham & Houston (2019), Andreou et al. (2021), and Babi (2015), which showed a negative effect of financial risk on stock returns. Similarly, the study by Khuzairina et al. (2024) found a positive effect of financial risk on stock returns.

The mediating role of company performance in influencing growth opportunity on stock returns indicates that growth opportunity has a stronger indirect effect on stock returns than their direct effect. These results indicate that in LQ45 companies, stock returns are more affected by direct factors related to company performance. This finding aligns with the studies by Dang et al. (2019), Boachie & Mensah (2022), and Bashaija (2022) on the positive effect of growth opportunity on company performance; and the studies by Andreou et al. (2021), Simamora et al. (2022), Babi (2015), and Nugroho et al. (2021) on the positive effect of company performance on stock returns. The absence of a mediating role of company performance on the effect of societal trust on stock returns indicates that societal trust has neither a direct nor an indirect effect on stock returns. This is due to the inconsistent effect of societal trust on company performance and stock returns in LQ45 companies. This finding is inconsistent with the study by Zhang et al. (2024), Sun (2020), Andreou et al. (2021), Simamora et al. (2022), Babi (2015), and Nugroho et al. (2021). The absence of a mediating role of company performance on the effect of financial risk on stock returns indicates that financial risk has no direct or indirect effect on stock returns. This is due to the still weak effect of financial risk on company performance and its inconsistent effect on stock returns. This finding is inconsistent with studies by Brigham & Houston (2019), Boachie & Mensah (2022), Wu et al. (2020), Bashaija (2022), Andreou et al. (2021), Simamora et al. (2022), Babi (2015), and Nugroho et al. (2021).

The results of this study reveal that in LQ45 companies in Indonesia, companies have integrated company performance as an economic bridge that financially enables them to convert growth opportunity into market profits. From the perspective of signaling theory, high company performance is a positive signal that can trigger an increase in stock returns.

CONCLUSION AND RECOMMENDATION

Conclucions

The research results demonstrate a positive effect of growth opportunity and a negative effect of financial risk on company performance, but there is no effect of societal trust. Likewise, their show a positive effect of company performance on stock returns.but there is no effect of societal trust, growth opportunity, and financial risk. Company performance mediates the effect of growth opportunity on stock returns, but does not mediate societal trust and financial risk. This finding, as a research novely, indicate that societal trust, financial risk, and growth opportunity in LQ45 companies in Indonesia do not yet form a complete value chain that contributes to stock returns through company performance. The resulting value chain is only indirectly shaped by growth opportunity.

Limitations

This study has several limitations. First, the limited number of independent variables included in the model that theoretically affect company performance and stock returns. Second, the absence of other intervening variables for stock returns beyond company performance, which theoretically also mediate the influence of societal trust, growth opportunity, and financial risk on stock returns. Third, the study population was limited to the LQ45 group of companies. Fourth, the study period was limited to 2020-2025. Fifth, the measurement models used to measure societal trust, growth opportunity, financial risk, and company performance were limited.

Recommendations

Theoretically, the research findings encourage recommendations to examine other independent variables that theoretically affect company performance and stock returns, outside of or in conjunction with societal trust, growth opportunity, and/or financial risk. Similarly, examine intervening variables other than company performance that theoretically mediate the effect of societal trust, growth opportunity, and financial risk on stock returns, both in LQ45 companies and other sectors. This includes external validation of the model's predictive capability for the period beyond 2020-2025 and further development of measurement models for societal trust, growth opportunity, financial risk, company performance, and stock performance. Practically, the research findings encourage recommendations for regulators to enhance their role in building a business environment that enhances societal trust, growth opportunity, and company performance, while minimizing financial risk. Issuers are encouraged to leverage growth opportunity to improve profit performance, effectively driving stock performance. Investors are encouraged to structure their investment portfolios around entities with high corporate performance. Investors are also expected to evaluate whether increased growth opportunity can be leveraged by companies to achieve high corporate performance.

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