The Impact Of Environment, Social, Governance (ESG) Disclosure, And Financial Performance On Stock Returns (Study On The ESG Quality 45 IDX Kehati Index 2018-2022)

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ABSTRACT

This research aims to examine the Impact of Environmental, Social, and Governance (ESG) Disclosure, and Financial Performance on Stock Returns on the ESG Quality 45 Kehati Index. This study uses a population of companies that are consistently included in the ESG Quality 45 Kehati index in 2018-2022 with a sample size of 80. This study uses multiple linear regression analysis on SPSS 26 software. The results of this study indicate that the environment has a positive effect on stock returns, social has a positive effect on stock returns, governance has a negative effect on stock returns, ESG disclosure has no effect on stock returns, Return Of Equity (ROE) has a negative effect on stock returns and Earning Per Share (EPS) has a negative effect on stock returns

Keywords: Environment, Social, Governance, ESG Disclosure, Return Of Equity (ROE), dan Earning Per Share (EPS)

INTRODUCTION

Sustainability issues are a topic that is often discussed around the world. Business actors must have the ability to change and be able to adjust their business activities to be actively involved in environmental conservation efforts and be more environmentally friendly. The process of globalization is the beginning of progress and has a fundamental impact on industrial diversification strategies. Current industrial developments are often the cause of various environmental and social problems such as environmental damage, social decadence and corporate crime. The next issue that is currently of concern to the world is global warming. Global warming is a phenomenon of rising atmospheric, ocean, and land temperatures. One of the causes of global warming is the greenhouse effect. The greenhouse effect is a condition where the sun's heat is trapped in the atmosphere, causing the earth's temperature to become warm (Databoks, 2023).

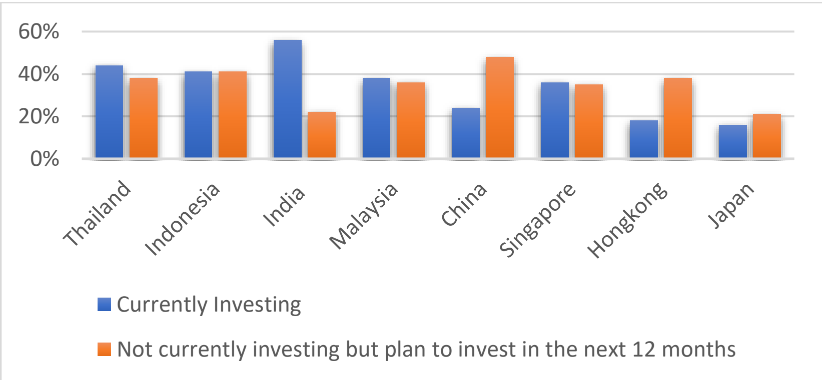
Therefore, in running its business, companies must consider not only the company's profits, but also the effects generated by the company's operations (Safriani & Utomo, 2020). In addition, social awareness affects the way investors invest in society. Investors usually pay more attention to the economic aspects of companies that consider environmental, social, and corporate governance aspects when making investment decisions. Environment, Social, Governance (ESG)-based investment has become a trend in investment in recent years as a result of this public awareness (Qodary & Tambun, 2021). Investors often use ESG as a standard and approach to evaluate corporate behavior and future financial performance (Li et al., 2021).

Capital markets play an important role in sustainable development as a means of allocating scarce financial resources and mobilizing community resources (Indonesia.go.id, 2022). Investment activities can support environmental sustainability and social responsibility in an approach called sustainable investment or ESG investment. Kanaka Hita Solvera analyst William Wibowo, on the news page stocksetup.kontan.co.id said that the potential for strengthening the index is currently still limited because the JCI is experiencing significant selling pressure. In the context of rising interest rates and inflation, ESG instruments will not be significantly affected by sentiment if there is no significant macro movement (Soenarso, 2022).

Therefore, investors can make decisions by integrating environmental, social, and governance factors into their investment strategies to evaluate corporate behavior more comprehensively (Stobierski, 2022). The three criteria included in ESG as a sustainability guide are interrelated. With a good management system, companies can take an approach based on environmental and social responsibility for the benefit of the public (Indonesia Stock Exchange, 2022), where the company's survival is highly dependent on stakeholder support (Nike, 2022). These things require business actors to start implementing ESG principles. The implementation of ESG is also a long-term financial decision that is believed to help reduce the increase in operational costs (Henisz et al., 2019). Therefore, the company's future financial success can be determined by performance that focuses on environmental, social and governance aspects in implementing an effective stakeholder management strategy (Velte, 2019).

Investors who consider ESG factors tend to be more active in influencing company policies and practices (Gibran, 2022), therefore the application of ESG criteria in business activities can increase investors' interest in investing. This is because ESG principles aim to reduce various risks that can affect financial performance and make sustainable investment an attractive prospect for potential investors.

Chart 1.1 Results of Respondents' Demand for ESG Investment in Asia



Source: *Accenture's Asia Affluent Investor Survey, 2022*

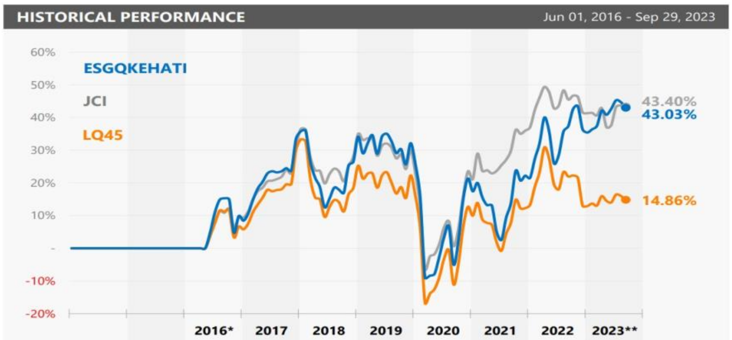
Based on the data shown in graph 1.1, it can be stated that Accenture's Asia Affluent Investor Survey Data in 2022 provides evidence that up to 70% of respondents have invested in ESG or plan to invest in ESG in the next 12 months, which are spread across several countries including Malaysia, India, China, Singapore, Hong Kong, Thailand, India, Indonesia, and Japan. Demographically, the growing demand for this form of investment is dominated by the younger generation. Millennial investors are more interested in examining the role of companies that pay attention to the environment and society before deciding to invest compared to the older generation, considering that companies that prioritize ESG principles can be used to better manage long-term risks so that they have the potential to obtain high returns, while also being able to enjoy quality natural resources (Malik, 2022).

Responding to sustainability issues, the role of other than business actors is also needed, namely the government. The efforts that have been made by the government are by issuing regulations regarding the obligation to prepare sustainability reports starting in 2019 through the issuance of POJK number 51 of 2017 for financial services companies, issuers, and public companies (Financial Services Authority, 2017). In addition, additional regulations were issued through the issuance of SE OJK number 16 of 2021 which emphasizes the submission of sustainability reports. On the other hand, accounting standards regarding Environmental, Social, and Governance (ESG) disclosure in Indonesia are still ineffective because they have not been clearly regulated or are outside the Financial Accounting Standards. This is stated in PSAK No. 1 Revision 2014 in paragraph 14 where companies also disclose sustainability reports regarding the environment and value-added reports, especially for industries where environmental factors play an important role and for industries that consider employees as a group of report users who play an important role (Indonesian Institute of Accountants, 2014).

However, there are international standards that are often used as references for companies in ESG disclosure, namely the standards of the Global Reporting Initiative or known as GRI. The 2016 GRI standards consist of: GRI 101 on the foundation, GRI 102 on general disclosure, GRI 103 on management approach, GRI 200 on economic performance, GRI 300 on environmental performance and GRI 400 on social performance (GRI, 2021).

The phenomenon of increasing investor demand for sustainable aspects has a positive impact on the world capital market, encouraging the Indonesia Stock Exchange (IDX) to launch five ESG-based stock indices, one of which is the index released on December 20, 2021, called ESQ Quality 45 KEHATI in collaboration with the Indonesian Biodiversity Foundation (KEHATI). This type of index can be an alternative investment that emphasizes the Environmental, Social, and Governance (ESG) aspects for investors who care about sustainability issues in the Indonesian capital market.

Chart 1.2 Comparison of ESGQKEHATI, JCI, and LQ45 Stock Indices



			2016*	2017	2018	2019	2020	2021	2022	2023**
ESGQKEHATI	-	-	9.9%	21.5%	-5.3%	4.5%	-8.2%	0.7%	11.6%	4.9%
JCI	-	-	9.4%	20.0%	-2.5%	1.7%	-5.1%	10.1%	4.1%	1.3%
LQ45	-	-	6.7%	22.0%	-9.0%	3.2%	-7.8%	-0.4%	0.6%	1.7%

Source: *Accenture's Asia Affluent Investor Survey, 2022*

Based on graph 1.2, it shows that KEHATI's ESG Quality 45 in 2019 was ranked highest compared to JCI and LQ45 issuers, but in the following year 2020 it experienced a significant decline so that it was below JCI issuers but above LQ45 issuers. So that in 2016-2023 KEHATI's ESG Quality 45 continued to experience changes which caused its graph to be lower than JCI and higher than LQ45. As seen on the Indonesia Stock Exchange, the following is a graph that illustrates the historical performance conditions during 2016-2023 with a period of September 29, 2023. Where in 2020 every ESG-based issuer experienced an increase because ESG in 2020 became a mandatory ESG report for all Go-Public Companies.

According to Feng et al., (2021) there is a negative influence between ESG ratings and falling stock prices on the Chinese stock exchange. Which shows that higher ESG ratings reflect a more transparent information environment, thereby reducing the accumulation of bad news. Thus, reducing the risk of falling stock prices. The ESG evaluation system provides incentives for managers to hide bad news and use public goods signals to obscure disclosure, thereby creating a greater risk of falling stock prices, meaning that the higher the ESG rating, the lower the risk of falling stock prices. Research from (Torre et al., 2020) concluded that there is a relationship between a good ESG score and high stock returns. However, research (F Aditama, 2022) stated that there is no influence between ESG values and stock returns. According to Listi & Megasari (2023), the solvency ratio is a ratio that describes an indicator of a company's ability to meet short-term and long-term debt, which is often used by creditors or lenders. In other words, the solvency ratio shows how capable the company is of paying all its obligations. The solvency ratio calculates a company's ability to pay off its financial obligations in both the short and long term.

According to Putu Indah, Ni Nyoman, and Ni Made (2022), concluded that the profitability ratio has no significant effect on stock returns, Research conducted by Setia et al (2020) shows that Return on Equity (ROE) has a positive and significant effect on stock returns. The results of data processing also show that ROE has the most dominant effect on stock returns than accounting profit and operating cash flow information, so it is concluded that companies prioritize ROE measures rather than looking at information on accounting profit and operating cash flow before making investment decisions.

Research conducted by Kobar & Kusmana (2020) shows that Return on Equity (ROE) has a negative and insignificant effect on stock returns, they state that information from ROE only displays the company's rate of return and does not display the company's prospects in the future. So the amount of Return on Equity (ROE) is not a major consideration for investors in making investment decisions.

Earning Per Share (EPS) is also useful for investors to estimate how much money will be received by shareholders when distributing profits from outstanding shares. The higher the Earning Per Share (EPS) of a company, the higher the profits from outstanding shares and the higher the share price. Based on data from the financial report, the average Earning Per Share (EPS) of cosmetic companies for three consecutive years, namely in 2020 - 2022, experienced a significant increase of 122%, but this increase was not followed by an increase in share prices. This is not in accordance with the theory that the higher the EPS, the higher the share price. Earning Per Share (EPS) affects shares (Dewi & Suwarno, 2022) and (Sangadah & Erdkhadifa, 2023). However, other studies state that Earning Per Share (EPS) has no effect on shares (Andriani et al., 2023).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Stakeholder Theory

Stakeholder theory was first discussed by the Stanford Research Institute (SRI) in 1963. Stakeholder theory states that groups or individuals can influence each other based on the goals of the organization or company (Freeman, 1984). Stakeholder theory does not focus on one individual but must consider the diversity of entities within the company itself that are involved in its business activities, therefore the company's goal should not only be to maximize its profits but also to generate value for all stakeholders in the company's ecosystem such as workers, customers, the surrounding community and all existing human resources. ESG disclosure practices are carried out by companies not only to maximize shareholder value but also to improve stakeholder welfare.

Stakeholder theory can be defined as a theory that explains how a company manages the relationship between the business and groups or individuals who may influence or be influenced by it (Hörisch et al., 2020). According to (Peng & Isa, 2020) the better the company's relationship with all stakeholders, the more successful the company will be over time. So this causes ESG to positively affect company performance because ESG activities can resolve conflicts between managers and stakeholders.

Thus, managing stakeholder relationships can have a significant impact on a company's long-term stock performance. This shows that considering the interests of various parties involved (stakeholders) is not only moral and ethical, but also has important strategic implications for the value of the company, including its market valuation and stock returns.

Signalling Theory

Signaling theory was first initiated by A. Michael Spence in 1973, which at that time was used to explain behavior in the labor market. Signal theory explains that every financial decision taken will affect the public's view of the company. Information provided by the company in the form of financial statements becomes a signal or announcement to investors regarding the company's financial condition which will later be used for investor investment decisions in the company (Ghozali, 2020). Therefore, Islamic ethics require that all relevant information must be equally accessible to all investors in the market. This is in accordance with the investor's right to seek information, freedom from misrepresentation and the right to equal information (Gazali et al., 2020).

ESG disclosure can also be seen as a good signal that must be absorbed by other parties so that it influences decision making. According to (Safriani and Utomo, 2020), ESG information disclosure is a positive signal for investors that can provide a good assessment for the company in the eyes of investors. The relationship between financial performance and stock returns with signal theory is that if a company has good financial performance, investors will consider the information to be positive and investors will also respond positively. This response can be in the form of interest in buying shares so that the stock price rises and ultimately can increase the company's stock returns.

Legitimacy theory

Legitimacy theory was proposed by Dowling Preffer (1975) explaining that legitimacy theory occurs because of differences between values in society that cause companies to be in a threatened position or referred to as a legitimacy gap. Legitimacy theory that makes a commitment to society in carrying out its operations. Ethics in society or the environment can help companies to ensure their environmental activities so that they have a positive impact on stakeholders (Deegan, 2002). Therefore, it is interpreted that this legitimacy theory focuses on the way companies interact with society to prioritize the interests of society or the environment.

Legitimacy theory emphasizes that companies must pay attention to all their activities so that they are in accordance with the social norms and values that apply in the community around which the company operates. Voluntary disclosure of ESG information can be used by external parties as an assessment of the company's compliance. So that legitimacy theory can be the background for companies in issuing ESG information. And companies can also maintain and improve their legitimacy in the eyes of stakeholders and the general public. This approach is not only ethically and socially relevant, but also has a significant impact on the company's financial performance, including stock valuations and stock returns that can be better in the long term. The difference in interests between society and the company in terms of assessment and expectations is called the legitimacy gap. Therefore, the company will receive recognition from the community for the presence of harmony between the values and norms held by the company and those held by the community, which will affect the sustainability of the company and the company's performance (Safriani & Utomo, 2020).

Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) develops a framework through globally recognized standards for public reporting on economic, environmental, and social impacts. Sustainability disclosures based on GRI standards can provide information on how a company contributes positively or negatively to sustainable development. This disclosure can provide companies with the opportunity to show how they contribute to environmental protection and social welfare (GRI, 2021).

In 2015, GRI established the Global Sustainability Standards Board (GSSB), which is specifically responsible for developing standards for sustainability reporting. In the last quarter of 2016, the GSSB began publishing the GRI Standards, which were released in Indonesia in 2017. The implementation of the GRI Standards guidelines became effective on July 1, 2018. The 2016 GRI Standards consist of:

Universal standards, contain information disclosures that companies use to identify material topics by defining important principles in preparing reports. These standards also contain information about a company's specific context such as: governance, stakeholder engagement. The universal standards consist of: GRI 101 on foundation, GRI 102 on general disclosures, and GRI 103 on management approach.

Topic-specific standards, contain information disclosures that companies use to report the impacts of a topic and how they manage those impacts. For example, a company can use the GRI standards for the topic of water and waste to report the environmental impacts of its water intake sources and how the company manages those impacts. The topic-specific standards consist of: GRI 200 on economic performance, GRI 300 on environmental performance, and GRI 400 on social performance.

The Relationship between Environment Disclosure and Stock Return

Environmental disclosure is the use of inputs and outputs (e.g. waste, waste, and emissions) generated by the company (Mulpiani, 2019). Based on stakeholder theory, companies must consider the interests and meet the demands of stakeholders in carrying out the company's business activities (Shakil et al., 2019). Environmental disclosure is one way for companies to meet stakeholder demands. This disclosure is used by companies to convey information about the environmental impacts they cause (Hardiningsih et al., 2020).

If the company's environmental performance is good, it will be recognized by stakeholders and the community, so that the company's stock returns are good and investors will trust to invest in the company. Legitimacy theory also explains that corporate sustainability reporting provides information and motivation to investors in investing. Legitimacy theory is a support for sustainability reporting and stakeholders are very important in meeting the needs of the company, because environmental disclosure needs to be considered by the company as seen from the materials used, energy consumption, water withdrawal, and others.

Based on the research of Purwaningsih (2018) also said the results of the study that environmental performance has a positive and significant effect on stock returns, that companies that obtain good quality environmental performance (PROPER) can influence investor confidence to invest in their shares, and its impact on market prices can produce maximum stock returns. These results are also in line with the research of Yin et al., (2023), Tripathi (2020), and Shafira (2022) who found that environmental performance has a positive effect on stock returns.

H1: Environment disclosure has a positive effect on stock returns

The Relationship between Social Disclosure and Stock Return

Social disclosure is the disclosure of aspects related to human rights, labor and product responsibility and workability (Hardiningsih et al., 2020). Based on stakeholder theory, companies must consider the interests and meet the demands of stakeholders in carrying out the company's business activities (Shakil et al., 2019). Social disclosure is one way for companies to meet stakeholder demands. This disclosure is useful for providing information about the impact and risks of the company's business activities on society and the company's treatment of employees (Hardiningsih et al., 2020) and (Mulpiani, 2019).

There is a legitimacy theory that also reveals that the view of social performance components is greater in companies so that if social performance is able to implement activities according to GRI indicators, the company's stock returns will be high to attract investors to invest (Pambudi et al., 2018). So that in addition to strengthening a good image, the company also becomes a consideration in paying attention to investing. If social performance reporting is good and accepted by the community, investors will be interested in investing in the company because the company's stock returns are very good.

This is supported by the results of ESG research on the social performance of mining sector companies for the period 2016-2020 which has a positive effect on stock returns (Qodary & Tambun, 2021). These results are also in line with research by Sakhil (2021); Zahroh & Hersugondo (2021) and Luo, Di (2022).

H2: Social Disclosure has a positive effect on Stock Returns

The Relationship between Governance Disclosure and Stock Returns

Governance disclosure is useful for conveying more information that can increase stakeholder trust in the company's business activities. Based on stakeholder theory, companies must consider the interests and meet the demands of stakeholders in carrying out the company's business activities (Shakil et al., 2019). Governance disclosure is one way for companies to establish good relations between the company and stakeholders as a form of Good Corporate Governance (GCG) can support the company's sustainability in improving financial performance (Ghazali & Zulmaita, 2022).

Information received by investors will reduce information asymmetry so that they will get positive or negative responses that will affect stock returns. So that sustainability reports play a role in providing information signals regarding aspects of economic, social, and environmental responsibility that reflect the stock returns that will be obtained by investors. This proves that there is a tendency for companies that have a high level of sustainability report disclosure to obtain high returns and vice versa.

Based on research by Natalia & Herlina (2021), it shows that Good Corporate Governance, which is proxied as corporate governance, has a positive effect on stock returns. This result is also in line with research by Torre et al., (2020); Aditama (2022); Aziz (2023) and Ikrima & Asrori (2020).

H3: Governance disclosure has a positive effect on stock returns

Relationship between ESG Disclosure and Stock Return

Environmental, Social, and Governance disclosure can be beneficial for companies. This implementation encourages business innovation, which implements Environmental, Social, and Governance disclosures that enable companies to innovate and develop environmentally friendly products and gain new market share around environmentally friendly products (Broadstock et al., 2021). Exploring new markets increases the company's profits and improves its financial performance so that it will receive positive or negative responses that will affect stock returns.

Corporate sustainability reporting, which covers environmental, social, and governance aspects, shows that the company is paying attention to these things. With this report, the company sends a signal to stakeholders that they care about environmental, social, and governance issues. This information can provide stakeholders with an understanding that the company has a competitive advantage that can improve its financial performance. So this is in accordance with the signaling theory, where companies that have a good reputation and can provide positive signals to investors, the impact of which can improve their financial performance.

Research results (Desi, 2018) show that ESG as a whole has a significant influence on stock returns. This shows that the better the ESG performance of a company, the higher the level of stock returns in that company. These results are also in line with research (Stiadi et al., 2023).

H4: ESG disclosure has a positive effect on stock returns

The Relationship between Return On Equity (ROE) and Stock Return

Signaling Theory describes the company's ability to send signals to external parties that the value of Return On Equity (ROE), affects financial distress in the company. Return On

Equity (ROE), is a measure of the company's owner's profit on the capital that has been invested in the company. An increase in Return On Equity (ROE), is a signal given by management to be able to fulfill the owner's desires, namely external parties.

If the profits obtained by shareholders are greater, then the greater the trust of shareholders in the company and the potential to obtain additional capital. This also shows that ROE has the most dominant influence on stock returns than accounting profit and operating cash flow information, so it is concluded that companies prioritize ROE size rather than looking at accounting profit and operating cash flow information before making investment decisions.

Research conducted by Setia et al., (2020) shows that Return on Equity (ROE) has a positive and significant effect on stock returns, which indicates the efficiency of using equity. High Return on Equity (ROE) reflects the company's ability to generate high profits for shareholders. These results are also in line with research by Made Adyiana & Djoko Lambang (2021), J. Sitorus et al., (2021) and Adytia & Nursito (2021).

H5: Return On Equity (ROE) has a positive effect on Stock Returns

The Relationship between Earning Per Share (EPS) and Stock Return

Earning per share is based on signaling theory, which requires companies to provide information to stakeholders to reduce information asymmetry (Kadek & Putu Eka, 2022). The role of signaling theory for stock returns is that companies provide signals regarding financial ratios such as earnings per share (EPS) to provide information about company performance to investors who need information.

The increase in EPS means that the company is in a growth phase or its financial condition is experiencing an increase in sales and profits. If a company's EPS is high, this will increase investors to buy and bid on shares which will result in high stock prices, high EPS indicates the company's ability to generate net profits per share is also high which will affect the returns obtained by investors in the capital market.

The results of the study by Delpania et al., (2022) showed that Earning Per Share has a positive and significant effect on Stock Returns, which states that high EPS is an attraction for investors. The higher the EPS, the higher the company's ability to provide income to its shareholders. The results of this study are supported by research conducted by Sari & Maryoso (2022), Ayu & Suarjaya (2022) which found that Earning Per Share has a positive and significant effect on Stock Returns.

H6: Earning Per Share (EPS) has a positive effect on Stock Returns

METHODS

This research is a quantitative research. The data used in this study comes from the company's stock price which is processed to obtain the company's stock return data. The ESG Quality 45 Kehati company stock price data comes from the idx.com website. and the ESG score data comes from the calculation of aspects published by the company with the standards of the Global Report Initiative (GRI). The GRI used in this study is the GRI standards 2016. The research variables used in this research can be defined as follows:

1. Environmental Disclosure variable from the Mulpiani (2019) method with the formula:
   Environmental Disclosure $= \frac{n}{k} \times 100\%$

2. Social Disclosure variable from the Mulpiani (2019) method with the formula:
   Social Disclosure = $\frac{n}{k}$ **x 100%**

3. Governance Disclosure variable from the Mulpiani (2019) method with the formula:
   Governance Disclosure = $\frac{n}{k}$ **x 100%**

4. ESG Disclosure variable from the Ghazali et al., (2020) method with the formula:
   ESG Disclosure = $\frac{n}{k}$ **x 100%**

5. Return On Equity (ROE) variable from the Kasmir (2018) method with the formula:
   Return on Equity = $\frac{\textbf{Earning After Interest and Tax Equity}}{\textbf{Equity}}$

6. Earning Per Share variable from the Kasmir (2018) method with the formula:
   Earning Per Share = $\frac{Laba\ Bersih}{Saham\ biasa\ yang\ beredar}$

This research has been conducted on companies included in the ESG Quality 45 Kehati index listed on the Indonesia Stock Exchange (IDX) that present all financial reports and desire reports during the 2018-2022 period. In accordance with the sampling procedure applied during the research period, 80 test data have been successfully collected. Sample selection was carried out using the purposive sampling method.

This study uses secondary data sources. Secondary sources are information obtained from existing sources (Sekaran and Bougie, 2017:130). In this study, the data sources used are secondary sources through the IDX website or on the pages www.idx.co.id and www.indopremier.co.id for annual report data and related company websites for sustainability report data.

Data processing includes several steps such as data editing, computer data processing using the Statistical Package for Social Science (SPSS) version 26 test tool, and data analysis using descriptive statistics. The classical assumption test is carried out to ensure that the data meets the regression requirements, including the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Furthermore, hypothesis testing is carried out using the t-test to see the effect of each independent variable partially, and the F-test to see the simultaneous effect of all independent variables on the dependent variable. All of these steps aim to test the relationship between the independent variables (Environmental Disclosure, Social Disclosure, Governance Disclosure, ESG Disclosure, Return On Equity (ROE) and Earning Per Share (EPS)) with the dependent variable (Stock Return) in companies included in the ESG Quality 45 Kehati index listed on the Indonesia Stock Exchange (IDX) in 2018 - 2022.

RESULTS

1. Descriptive Analysis

Descriptive analysis aims to show statistical variables such as min, max, mean, sum, standard deviation, variance, range, etc. It is also used to measure data distribution with kurtosis and skewness.

Table 4.1
Descriptive Statistics

Variabel	N	Minimum	Maksimum	Mean	Std. Deviation
Environment	80	0,00	0,94	0,4113	0,25123
Social	80	0,07	0,90	0,3842	0,18613
Governance	80	0,05	1,00	0,2607	0,31192
ESG	80	0,00	0,79	0,3625	0,19794
ROE	80	-1,56	31,67	4,2381	6,10174
EPS	80	-20,90	1167,7	96,2770	184,966
Return Saham	80	-0,47	1,30	0,0146	0,2877

(Source: output SPSS 26, data processed)

Based on table 4.1 of the descriptive statistical test above, it can be concluded:

a. Environment Disclosure variable (X1), from the data shows that the average value is 0.4113 with a standard deviation of 0.25123. While the minimum and maximum values are 0.00 and 0.94. The standard deviation value of the Environment variable is lower than its average value, so it can be interpreted that Environment has a low level of data variation.
b. Social Disclosure variable (X2), from the data shows that the average value is 0.3842 with a standard deviation of 0.18613. While the minimum and maximum values are 0.07 and 0.90. The standard deviation value of the Social variable is lower than its average value, so it can be interpreted that Social has a low level of data variation.
c. Governance Disclosure variable (X3), from the data shows that the average value is 0.2607 with a standard deviation of 0.31192. While the minimum and maximum values are 0.05 and 1.00. The standard deviation value of the Social variable is higher than its average value, so it can be interpreted that Social has a high level of data variation.
d. ESG Disclosure Variable (X4), from the data shows that the average value is 0.3625 with a standard deviation of 0.19794. While the minimum and maximum values are 0.00 and 0.79. The standard deviation value of the ESG Disclosure variable is lower than its average value, so it can be interpreted that ESG Disclosure has a low level of data variation.
e. Return Of Equity (X5) variable, from the data shows that the average value is 4.2381 with a standard deviation of 6.10174. While the minimum and maximum values are -1.56 and 31.67. The standard deviation value of the Return Of Equity (ROE) variable is higher than its average value, so it can be interpreted that Return Of Equity (ROE) has a high level of data variation.
f. Earning Per Share (X6) variable, from the data shows that the average value is 96.2770 with a standard deviation of 184.966. While the minimum and maximum values are -

20.90 and 1167.7. The standard deviation value of the Earning Per Share (EPS) variable is higher than its average value, so it can be interpreted that Earning Per Share (EPS) has a high level of data variation.

g. Stock Return Variable, from the data shows that the average value is 0.0146 with a standard deviation of 0.2877. While the minimum and maximum values are -0.47 and 1.30. The standard deviation value of the Stock Return variable is higher than its average value, so it can be interpreted that Stock Return has a high level of data variation.

2. Classical Assumption Test

a. Normality Test

Table 4.2 One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		80
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.27742933
Most Extreme Differences	Absolute	.095
	Positive	.095
	Negative	-.055
Test Statistic		.095
Asymp. Sig. (2-tailed)		.070[c]

(Source: output SPSS 26, data processed)

The data in this research is normal because it can be seen from the Asymp Sig (2-tailed) of 0.070 which exceeds the alpha value of 0.05. These results indicate that the research data of this regression model is normally distributed and meets the assumption of normality.

b. Multicollinearity Test

Table 4.3 Multicollinearity Test

Model	Collinearity Statistic		Information
	Tolerance	VIF	
Environment	0,271	3,684	Multicollinearity Free
Social	0,289	3,463	Multicollinearity Free
Governance	0,433	2,311	Multicollinearity Free
ESG Disclosure	0,106	9,396	Multicollinearity Free
Return Of Equity	0,942	1,061	Multicollinearity Free
Earning Per Share	0,891	1,122	Multicollinearity Free

(Source: output SPSS 26, data processed)

Independent variables (Environment, Social, Governance, ESG disclosure, ROE, and EPS) show a tolerance value greater than 0.10 and the VIF value has a value lower than 10. Therefore, it can be concluded that the independent variables used in this test do not experience symptoms of multicollinearity so that this research model is worthy of being continued.

c. Heteroscedasticity Test

Tabel 4.4 Heteroscedasticity Test

Variable	Significance
Konstanta	0,018
Environment	0,295
Social	0,288
Governance	0,519
Pengungkapan ESG	0,827
Return Of Equity	0,453
Earning Per Share	0,742

(Source: output SPSS 26, data processed)

The test results using the Glejser test show that all independent variables obtained significant values above 0.05, which means that there was no heteroscedasticity in the research sample.

d. Autocorrelation Test

Table 4.5 Autocorrelation Test

N	K	DW	dL	dU	4-dL	4-dU	Information
80	6	2,183	1,4800	1,8008	2,520	2,1992	No Autocorrelation Occurs

(Source: output SPSS 26, data processed)

Based on Table 4.5, it is known that the Durbin-Watson (dW) value is 2.183. The results obtained from the autocorrelation test in this table show that the Durbin-Watson upper (dU) value is 1.8008 and the value of 4 (four) minus the upper limit (4-dU) is 2.1992. Based on the basis for decision making that has been determined, the dW value is between the dU and 4-dU values (dU < dW < 4- dU), namely 1.8008 < 2.183 < 2.1992. These results indicate that the research data tested are free from autocorrelation.

3. Regression Coefficient Test (F Test)

The F test or regression coefficient test in this research was carried out to find out whether the independent variables together (simultaneously) influenced the dependent variable. This is also done to evaluate the total influence of the independent variables on the dependent variable.

Table 4.6 F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.528	6	.088	6.163	.000b
	Residual	1.043	73	.014		
	Total	1.571	79			

(Source: output SPSS 26, data processed)

Based on the results of the model significance test (F statistical test) in table 4.6 above, it shows that the significance value is 0.000 with a significance level of 0.05. This means that the F test value is 0.000 <0.05 with the calculated F greater than the F table. Therefore, it is found that the independent variables (environmental, social, governance disclosure, ESG disclosure, Return Of Equity and Earning Per Share) affect the dependent variable (stock return) simultaneously.

4. **Multiple Linear Regression Test (T Test)**
   Multiple linear regression analysis in this research is used to determine the influence or linear relationship between two or more independent variables and the dependent variable.

Table 4.7 Multiple Linear Regression Analysis (T Test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.070	.034		-2.056	.043
ENVIRONMENT (X1)	.229	.103	.409	2.234	.029
SOCIAL (X2)	.276	.134	.365	2.056	.043
GOVERNANCE (X3)	-.124	.066	-.274	-1.892	.062
ESG (X4)	-.164	.208	-.231	-.789	.433
ROE (X5)	-.004	.002	-.165	-1.684	.096
EPS (X6)	-.001	.000	-.203	-2.011	.048

(Source : output SPSS 26, data processed)

So the multiple linear regression analysis equation in this study is as follows:

$$\mathbf{Y = -0{,}070 + 0{,}229X_1 + 0{,}276X_2 - 0{,}124X_3 - 0{,}164X_4 - 0{,}004X_5 - 0{,}000X_6 + 0{,}034}$$

The equation in the regression line above has the following meaning:

1. The environmental disclosure variable (X1) shows a significance result of 0.043 or less than 0.1 with a positive beta value of 0.229 so that the environmental variable (X1) has a positive effect on stock returns, so H1 is accepted.

2. The social disclosure variable (X2) shows a significance result of 0.043 or less than 0.1 with a positive beta value of 0.276 so that the social variable (X2) has a positive effect on stock returns, so H2 is accepted.
3. The governance disclosure variable (X3) shows a significance result of 0.062 or more than 0.1 with a negative beta value of -0.124 so that the governance variable (X3) has a negative effect on stock returns, so H3 is rejected.
4. The ESG Disclosure variable (X4) shows a significance result of 0.433 or more than 0.1 with a negative beta value of -0.164 so that the ESG Disclosure variable (X4) has no effect on stock returns, so H4 is rejected.
5. The Return Of Equity (X5) variable shows a significance result of 0.096 or more than 0.1 with a negative beta value of -0.004 so that the Return Of Equity (X5) variable has a negative effect on stock returns, so H5 is rejected.
6. The Earning Per Share (X6) variable shows a significance result of 0.048 or less than 0.1 with a negative beta value of -0.001, so the Earning Per Share (X6) variable has a negative effect on stock returns, so H6 is rejected.

DISCUSSION

1. The Effect of Environmental Disclosure on Stock Returns

Based on the hypothesis development that has been done, it is formulated that in hypothesis 1 (H1) environmental disclosure has a positive and significant effect on stock returns. This is in accordance with the test results in table 4.7 which explains that environmental disclosure has a t count of 2.234 and a significance value of 0.029 which is smaller than 0.1. Therefore, H1 which states that environmental disclosure has a positive and significant effect on stock returns in this study is accepted.

The results of this study prove that there is an influence of environmental performance on stock returns. These results present that the higher the environmental performance of a company, the higher the level of stock returns that the company will obtain.

These findings are in accordance with the stakeholder theory of companies by implementing environmental aspects can provide benefits to stakeholders and support the company's performance and competitive advantage so that it can generate profits through returns expected by investors (Safriani & Utomo, 2020). The results of this test are also in line with the signal theory which states that when a company carries out activities that support environmental sustainability and have a positive impact on the environment, it can provide a signal to shareholders by promoting a good corporate image (Ghozali, 2020). Due to the support from stakeholders in accordance with the company's guidelines in implementing the assessment of GRI 2016 standard indicators such as environmental compliance, total energy presentation and emissions in the company that reflect investor confidence in performance for future prospects by having a high assessment. So if the company implements the established indicators, it will make investors more interested in investing in the company.

According to sample data from the calculation of environmental disclosure results for 2018-2020 at PT. Industri Jamu dan Farmasi Sido Muncul Tbk. (SIDO) has a value of 0.47, 0.44, and 0.30. The results of the stock return calculation for that year were 0.54, 0.52, and 0.26. At PT. Kalbe Farma Tbk. (KLBF) in 2021-2022 had values of 0.44 and 0.56. The results of the stock return calculation for that year were 0.09 and 0.29.

The sample proves that partially environmental disclosure has a positive effect on stock returns. The sample shows that as environmental disclosure increases, stock returns will also increase and vice versa. If the company is able to provide good environmental performance, it will reflect a good management and operational system in dealing with environmental problems. So that investors will have a higher interest in investing in the company.

The results of this study are in line with research conducted by Aziz (2023), Tripathi (2020), Nabila & Wahyuningtyas (2023) and Shafira (2022) which also stated that environmental disclosure has a positive effect on stock returns.

2. The Effect of Social Disclosure on Stock Returns

Based on the hypothesis development that has been done, it is formulated that in hypothesis 2 (H2) social disclosure has a significant effect on stock returns. The test results in table 4.7 state that social disclosure has a t count of 2.056 and a significance value of 0.043, which is smaller than 0.1, which means that social performance has a positive and significant effect on stock returns. So based on the test results, H2 in this study is accepted.

The results of this study indicate that social disclosures made by companies can affect the company's stock returns. These results present that the higher the social performance of a company, the higher the level of stock returns that will be obtained by the company.

Based on stakeholder theory, social disclosure can be used to gain support from stakeholders (Safriani & Utomo, 2020). By supporting employee welfare through social disclosure, stock returns can also increase. In addition, social disclosure is also in line with legitimacy theory, where companies that have a good image in society because they show concern for social aspects will be legitimized and gain support from society, which can also increase the company's profitability. So stakeholder decisions also affect CSR actions taken by the company, which will ultimately improve the company's image, so that legitimacy theory also occurs.

Due to the support from the community in accordance with the company's guidelines in implementing the assessment of GRI 2016 standard indicators such as the total workforce presentation, employee benefits, recruitment rates, and employee safety that reflect confidence in performance for future prospects by having a high assessment. So if the company implements the established indicators, it will make investors more interested in investing in the company.

According to sample data from the calculation of social disclosure in 2018-2020 at PT. Pembangunan Perumahan (Persero) Tbk. has a value of 0.22, 0.55, and 0.50. The results of the stock return calculation in that year were -0.32, -0.12 and 0.18. At PT. AKR Corporindo Tbk. (AKRA) in 2021-2022 had values of 0.65 and 0.725. The results of the stock return calculation in that year were 0.29 and 0.70. The sample proves that partially social disclosure has a positive effect on stock returns. The sample shows that as the value of social disclosure increases, stock returns will also increase.

The results of this study are in line with research conducted by Shakil (2021), Nabila & Wahyuningtyas (2023) and Zahroh & Hersugondo (2021) which also found research results that social disclosure has a positive effect on stock returns. Because if a company supports employee welfare and has a good image in the community, it will get support from the community, which can also increase the company's profitability at some point.

3. The Effect of Governance Disclosure on Stock Returns

Based on the hypothesis development that has been done, it is formulated that in hypothesis 3 (H3) governance disclosure has an effect on stock returns. However, the test results in table 4.7 state that governance disclosure has a t count of -1.892 and a significance value of 0.062 which is greater than 0.1 which means that governance disclosure has a negative effect on stock returns. So based on the test results, H3 in this study is rejected.

The results of this study prove that there is no influence of governance performance on stock returns. These results present that the higher the governance performance in a company, the less it affects the level of stock returns that will be obtained by the company. The results of this study differ from stakeholder theory, where companies that implement good governance should gain high profits and be able to face conflicts of interest so that they can gain greater trust from stakeholders (Safriani & Utomo, 2020). Companies with good governance are companies that have transparency so that they are able to generate profits through returns expected by investors.

According to sample data from the calculation of governance disclosure in 2018-2019 at PT. Elnusa Tbk. (ELSA) has a value of 0.05 and 0.68. The results of the stock return calculation in that year were -0.08 and -0.11. At PT Astra International Tbk. (ASII) in 2020-2022 had values of 0.05, 0.50 and 0.18. The results of the stock return calculation in that year were -0.13, -0.05 and 0.00. The sample proves that if governance disclosure increases, stock returns will decrease or vice versa. So this condition supports the results of the study that governance disclosure has a negative effect on stock returns.

The results of this study are in line with research conducted by Aditama (2022), Siregar (2024) and Aziz (2023) which showed that there is a negative relationship between governance performance and stock returns. The similarity of the results of this study can be a concern because governance performance can be measured in terms of quality aspects and not just quantity.

4. The Effect of ESG Disclosure on Stock Returns

Based on the hypothesis development that has been done, it is formulated that in hypothesis 4 (H4) ESG disclosure has an effect on stock returns. However, the test results in table 4.7 state that ESG disclosure has a t count of -0.789 and a significance value of 0.433, which is greater than 0.1, which means that ESG disclosure has no effect on stock returns. So based on the test results, H4 in this study is rejected.

The results of this study prove that there is no influence of ESG disclosure on stock returns. These results present that the higher the ESG disclosure in a company, the less it affects the level of stock returns that will be obtained by the company.

The results of this study differ from stakeholder theory where companies should implement aspects of Environment, Social, and Governance (ESG) to provide benefits to stakeholders and support the company's performance and competitive advantage so that it can generate profits through returns expected by investors (Safriani & Utomo, 2020). This can be caused because the disclosure of ESG activities is only considered as additional information that is not a priority in generating profits for a company.

According to sample data from the calculation of ESG disclosure results in 2018-2020 at PT. Semen Indonesia (Persero) Tbk. (SMGR) has an ESG value of 0.128, 0.202 and 0.383. The results of the stock return calculation in that year were 0.16, 0.04 and 0.04. At PT. Indocement Tunggal Prakarsa Tbk (INTP) in 2021-2022 had an ESG value of 0.52 and 0.57. The results of the stock return calculation in that year were -0.16 and -0.18. The sample proves that if ESG disclosure decreases or increases, stock returns do not increase or vice versa. So this condition supports the results of the study that ESG disclosure has no effect on stock returns. Because the company needs to spend more investment to be able to reduce the emissions issued. There is a trade-off concept between economic and environmental output which explains that it is not possible to maximize environmental aspects and economic output simultaneously.

The results of this study are in line with research conducted by Qodari and Tambun (2021), Aditama (2022) and Aziz (2023) which stated that ESG disclosure has no effect on stock returns.

5. The Effect of Return On Equity on Stock Returns

Based on the development of the hypothesis that has been done, it is formulated that in hypothesis 5 (H5) Return Of Equity has an effect on stock returns. However, the test results in table 4.7 state that Return Of Equity has a t count of -1.684 and a significance value of 0.096 which is greater than 0.1 which means that Return Of Equity has a negative effect on stock returns. So based on the test results, H5 in this study is rejected.

The results of this study prove that there is no effect of Return Of Equity on stock returns. These results present that the higher the Return Of Equity in a company, the less it affects the level of stock returns that will be obtained by the company.

The results of this study differ from the signaling theory, where the higher the ROE value indicates that the company's ability to generate profits is also better, while the lower the ROE indicates that the company's ability to return investment on company activities is also lower. In theory, the high return on investment of the company as measured by the ROE ratio can be a positive signal for investor interest in buying a stock which will increase the Company's stock returns (Ghozali, 2020).

According to sample data from the calculation of ROE in 2018-2022 at PT Unilever Indonesia Tbk. (UNVR) has a value of 26.23, 19.29, 25.80, 25.88 and 31.67. The results of the stock return calculation in that year were -0.19, -0.07, -0.13, -0.44 and 0.14. The sample proves that if ROE decreases or increases, stock returns increase or vice versa. So this condition supports the results of the study that ROE has a negative effect on stock returns. Because if ROE is greater, the opportunity to increase stock returns tends to be smaller. The bigger the company, the better and more stable the company's financial reporting will usually be in managing its profits without having to focus too much on the stock return strategy it has. This shows that financial indicators may not be a strong predictor of stock return movements.

The results of this study are in line with research conducted by Pandaya et al., (2020), Prasetianingrum et al., (2024) and Gaib et al., (2022) which stated that Return Of Equity (ROE) has a negative effect on stock returns.

6. The Effect of Earning Per Share on Stock Returns

Based on the hypothesis development that has been done, it is formulated that in hypothesis 6 (H6) Earning Per Share has an effect on stock returns. However, the test results in table 4.9 state that Earning Per Share has a t count of -2.011 and a significance value of 0.048 which is smaller than 0.05 which means that Earning Per Share has a negative and significant effect on stock returns. So based on the test results, H6 in this study is rejected.

The results of this study prove that there is a negative influence of Earning Per Share on stock returns. These results present that if Earning Per Share increases, stock returns will decrease, and vice versa. The results of this study are different from the signaling theory, where the higher the EPS value indicates that the company's ability to generate profits is also better, while the smaller the EPS indicates that the company's ability to return investment on company activities is also lower. So the level of investment generated from each outstanding common stock increases, the stock returns that will be received by investors will decrease, because there are still many other factors that affect stock returns (Ghozali, 2020).

According to sample data from the calculation of EPS in 2018-2020 at PT. Industri Jamu dan Farmasi Sido Muncul Tbk. (SIDO) has an EPS value of 11.27, 13.92 and 15.44. The results of the stock return calculation in that year were 0.54, 0.52 and 0.26. At PT. Jasa Marga (Persero) Tbk. (JSMR) in 2021-2022 had an EPS value of 22.17 and 53.81. The results of the stock return calculation in that year were -0.16 and -0.23. The sample proves that if EPS increases, stock returns will decrease.

This shows that the greater the profit provided to shareholders, the company often does not distribute the profits obtained in the form of dividends to shareholders, so this condition supports the research results that EPS has a negative and significant effect on stock returns.

The results of this study are in line with research conducted by Pandaya et al., (2020), Yuliana & Artati (2022) and Ismarinanda & Bawono (2022) which stated that EPS has a negative and significant effect on stock returns.

CONCLUSION

This research aims to test and explain the Impact of Environmental, Social, and Governance (ESG) Disclosure, and Financial Performance on Stock Returns in companies listed in ESG Quality 45 KEHATI Index 2018-2022. The type of data used in this study is quantitative data with secondary data sources taken in the form of the annual financial report of the Indonesia Stock Exchange (IDX), namely www.idx.co.id and the website www.indopremier.com. Data processing in this study uses SPSS 26.

First, Environmental disclosure variables have a positive and significant effect on stock returns. This provides benefits to stakeholders and supports the company's performance and competitive advantage so that it can generate profits through returns expected by investors. Because the better the environmental disclosure carried out by the company, the higher the company's stock return rate and vice versa. So it can be concluded that the second hypothesis (H_1) is accepted.

Second, The social disclosure variable has a positive and significant effect on stock returns. Based on stakeholder theory, social disclosure can be used to gain support from stakeholders. By supporting employee welfare through social disclosure, if the value of social disclosure increases, stock returns will also increase. So it can be concluded that the second hypothesis (H_2) is accepted.

Third, Governance Disclosure variable has no effect on stock returns. The results of this study differ from stakeholder theory where companies that implement good governance should obtain high profits. This is a concern because governance performance can be measured in terms of quality aspects and not just quantity. So it can be concluded that the third hypothesis (H_3) is rejected.

Fourth, ESG Disclosure Variables do not affect stock returns. The results of this study differ from stakeholder theory where companies should implement Environmental, Social, and Governance (ESG) aspects to provide benefits to stakeholders. This is because companies need to spend more money to reduce emissions. So it can be concluded that the fourth hypothesis (H_4) is rejected.

Fifth, The Return Of Equity variable does not affect stock returns. The results of this study are different from the signaling theory, where the higher the ROE value indicates that the company's ability to generate profits is also better, while the smaller the ROE indicates that the company's ability to return investment on company activities is also lower. So it can be concluded that the fifth hypothesis (H_5) is rejected.

And finally sixth, The Earning Per Share variable has a negative and significant effect on stock returns. The results of this study are different from the signaling theory, where the higher the EPS value indicates that the company's ability to generate profits is also better, while the smaller the EPS indicates that the company's ability to return investment on company activities is also lower. So it can be concluded that the fifth hypothesis (H_6) is rejected.

Based on the results of this study, several suggestions can be put forward. First, for further researchers, it is expected to have newness or variables that are still rarely studied by other researchers that can affect stock returns. Second, further research is expected to be able to pay attention to the indicators in the ESG calculation in each database to ensure that the value is generated from the appropriate aspects. Finally, for further researchers, it is also expected to extend the research period and expand the research sample to be more accurate and the results are satisfactory.

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