

UNDERSTANDING THE FACTORS THAT INFLUENCE STOCK PRICES ON THE IDX ESG LEADERS

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Abstract – This research aims to ascertain how stock prices in ESG Leaders Index impacted by internal factors with financial ratios of the companies and external factors on economic indicators such as BI rate, exchange rate, and inflation. This research was conducted between 2022 – 2025. This research will be used to inform future studies in the field of financial management. Relevant research is very important in research articles, which serves to strengthen the theory of relationships between variables. The objects in this previous study came from various companies listed on the Indonesia Stock Exchange (IDX) in sector mining, food and beverages, manufacture, banking, and property companies. This research use quantitative research. Data collection method used in this study is purposive sampling method with data analysis technique used in this study is the regression model and Bootstrapping used SEM (statistical equation modeling) in hypothesis testing. In addition, the variables have also been tested using classical assumption test, correlation coefficient, coefficient of determination, F-test, and T-test.

Keywords: ESG Leaders Index, Internal Factors, External Factors, Quantitative Research

I. INTRODUCTION

The capital market is where companies can get money from regular people or institution. The capital market is very important for helping Indonesia's economy grow. We can watch how a company's value changes in the capital market by looking at the stock price index, which goes up and down. The stock price will change based on what investors want and what they have to offer on the trading floor. By watching the stock price index, investors can more easily get information to help them guess how much money they will make in the future. The Indonesian capital market is currently showing positive growth, marked by an increase in the number of investors and several other important achievements. As of the end of January 2025, the number of Indonesian capital market investors reached 15 million Single Investor Identification (SID), showing significant growth with the average daily transaction frequency of the Indonesia Stock Exchange also increasing. The purpose of investors to invest their capital in a company is to gain profit or return. The profit can be one of the differences between the selling price of the stocks and the purchase price. Stocks are simply a portion or ownership of a company. (Mumpuni & Darmawan, 2017)

There are several factors that can affect the price of a stock, namely from internal and external factors in examples investment decisions with calculations using Price to Earning Ratio (PER), financing decisions with calculations using Debt to Equity Ratio (DER), financial performance or size of the

company using calculation using Return on Asset (ROA), net profit margin (NPM), Dividen Payout Ratio (DPR), Current Ratio (CR), Earning per Share (EPS), sales growth, profitability with calculations using Return on Equity (ROE), and also Price to Book Value (PBV). Stock price is also impacted by economic indicators such as BI rate and exchange rate. The result of research on stock prices have been conducted throughout 2014 to 2021 to see the factors that influence stock prices and the relationship between these variables.

Table 1. Operational Research Variables

No	Research Title	Year and Author	Variable	Measurement of Variables	Research Result
1	The Effect of Investment Decisions, Funding Decisions, Financial Performance, Net Profit Margin, and Dividend Policy on Stock Prices (Empirical Study on Manufacturing Companies Listed on the IDX 2015-2019)	(Abi Rizal Permadi, 2020)	Investment Decisions (X1)	Price to Earning Ratio (PER) : Share per Price divided by Earning per Share	Investment decisions have a positive and significant impact on the company's stock price
			Financing Decisions (X2)	Debt to Equity Ratio (DER) : Total Debt divided by Equity	Financing decisions have no effect and are not significant on the company's stock price
			Financial Performance (X3)	Return on Asset (ROA) : Net Income divided by Total Assets	Financial performance has a negative and significant effect on the company's stock price
			Net Profit Margin (X4)	Net Profit Margin (NPM) : Net Profit After Taxes divided by Net Sales	Net Profit Margin has a positive and significant effect on the company's stock price
			Dividend Policy (X5)	Dividend Payout Ratio (DPR) : Dividends divided by Net Income	Dividend policy has no effect and is not significant on the company's stock price
2	The Influence of Investment Decisions, Funding Decisions, and Dividend Policies on Stock Prices in Banking Companies Listed on the Indonesia Stock Exchange	(Dekrijanti et al., 2023)	Stock Prices (Y1)	Closing price	
			Investment Decisions (X1)	Price to Earning Ratio (PER) : Share per Price divided by Earning per Share	Investment decisions have a negative and significant impact on the company's stock price.
			Financing Decisions (X2)	Debt to Equity Ratio (DER) : Total Debt divided by Equity	Financing decisions have no effect and are not significant on the company's stock price
			Dividend Policy (X3)	Dividend Payout Ratio (DPR) : Dividends divided by Net Income	Dividend policy has no effect and is not significant on the company's stock price

No	Research Title	Year and Author	Variable	Measurement of Variables	Research Result
			Stock Prices (Y1)	Closing price	Investment decisions, financing decisions, and dividend policies positively and significantly affect stock prices
3	The Influence of Investment Decisions, Funding Decisions, Financial Performance, Inflation, Exchange Rates And Dividends on Stock Prices in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2016-2018	(Puspita et al., 2022)	Investment Decisions (X1)	CPA/BVA (Capital Expenditure to Book Value of Assets) : Acquisition of Fixed Assets divided by Total Assets	Investment decisions do not have a significant effect on stock prices
			Financing Decisions (X2)	Debt to Equity Ratio (DER) : Total Debt divided by Total Assets	Financing decisions have a significant impact on stock prices
			Financial Performance (X3)	Return on Asset (ROA) : Net Income divided by Total Assets	Financial performance has a significant effect on stock prices
			Inflation (X4)	Current stock price divided by based stock price	Inflation does not have a significant effect on stock prices
			Exchange Rates (X5)	Exchange rate used is the Indonesian currency (rupiah) against the United States foreign currency (dollar) in the territory of Indonesia using the middle rate determined by Bank Indonesia from 2016-2018	Exchange rates has a significant impact on share prices
			Dividend Policy (X6)	Dividend Payout Ratio divided by Earning per Share	Dividend policy do not have a significant effect on stock prices
			Stock Prices (Y1)	Closing price	Investment decisions, financing decisions, financial performance, inflation, exchange rates, and dividends together have a significant impact on stock prices
4	The Effect of Financial Ratios on	(Virdiana, 2021)	Current Ratio (X1)	Current assets divided by current liabilities	there is a positive influence between current ratio and stock prices

No	Research Title	Year and Author	Variable	Measurement of Variables	Research Result
	Stock Prices in Food and Beverage Sector Manufacturing Companies on the Indonesia Stock Exchange (IDX) in 2019 - 2020 Period		Debt to Equity Ratio (X2)	Total Debt divided by Equity	Debt to Equity Ratio has a positive effect on stock prices
			Earning per Share (X3)	Net Profit Margin divided by Number of Outstanding Shares	Earning per Share has a positive effect on stock prices
			Return on Equity (X4)	Net Profit Margin divided by Equity	Return on Equity has a negative effect on stock prices
			Return on Asset (X5)	Net Income divided by Total Assets	Return on Asset has a positive effect on stock prices
			Stock Prices (Y1)	Closing price	
5	Effect of Net Profit Margin (NPM), Return on Assets (ROA), and Debt to Equity Ratio (DER) to Share Prices in Property Companies Registered on the Stock Exchange Indonesia (IDX)	(Markonah & Cahaya, 2023)	Net Profit Margin (X1)	Profit clean divided by sale	Net Profit margins (NPM) influential negative significant to price share on company property listed on the Indonesia Stock Exchange
			Return on Asset (X2)	Profit clean divided by total assets	Return on Assets (ROA) influential positive significant to price share in property companies listed on the Indonesia Stock Exchange
			Debt to Equity Ratio (X3)	Total Liabilities divided by Total Capital	Debt to Equity Ratio (DER) does not have influence significant to price share on company properties listed on Indonesia stock exchange
			Share Prices (Y1)	Price at closing (closing price)	
6	Factors Affecting the Stock Price : The Role of Firm Performance	(Sukesti et al., 2021)	Debt to Equity Ratio (X1)	Total Debt divided by Equity	Debt to Equity Ratio have a positive effect on stock prices
			Net Profit Margin (X2)	Net Profit after Tax divided by Net Sales	Net Profit Margin have a positive effect on stock prices
			Size (X3)	Return on Asset (ROA) : Net Income divided by Total Assets	The size of the company does not affect the stock price. ROA can be a good mediator on the relationship between constructs.
			Stock Prices (Y1)	Stock Price measured with the stock price at the closing price	

No	Research Title	Year and Author	Variable	Measurement of Variables	Research Result
7	Effect of Sales Profitability and Growth on Stock Price	(Nuridah et al., 2022)	Profitability (X1)	Return on Equity (ROE) : Net Profit divided by Total Equity	Return On Equity has no effect on Stock Prices
			Sales Growth (X2)	((Selling t) - (Selling t-1)) / (Selling t-1)	Sales Growth affects Stock Prices
			Share Price (Y1)	Closing Price (closing share price) of each company derived from the share price at the end of the year	Profitability or ROE and Sales Growth have a significant effect on Share Prices carried out in consumer goods industry sub-sector companies listed on the IDX for the 2019-2021 period
8	The Effect of Earning per Share, Price to Book Value, Dividend Payout Ratio, and Net Profit Margin on the Stock Price in Indonesia Stock Exchange	(Bustani et al., 2021)	Earning per Share (X1)	Earning After Tax divided by Number of Shares Outstanding	Earning per Share has a significant effect on the share price
			Price to Book Value (X2)	Stock Market Price divided by Book Value per Share	Price to Book Value significantly affect the price
			Dividend Payout Ratio (X3)	Dividend per Share divided by Earning per Share	Dividend Payout Ratio significantly affects the stock price in the Indonesia Stock Exchange stock price, a sub sector of food and beverage companies for 2014 - 2018
			Net Profit Margin (X4)	Earning After Tax divided by Net Sales	Net Profit Margin has no significant effect on the stock price
			Stock Prices (Y1)	Closing price	
9	Analysis Effect Return on Assets (ROA), Return on Equity (ROE) and Price Earning Ratio (PER) on Stock Prices of Coal Companies in the Indonesia Stock Exchange (IDX) Period 2018 - 2021	(Saputra, 2022)	Return on Assets (X1)	Net Income divided by Total Assets	Return On Assets has a positive and significant effect on Stock Prices
			Return on Equity (X2)	Net Profit Margin divided by Equity	Return On Equity has no significant effect on Stock Prices
			Price Earning Ratio (X3)	Share per Price divided by Earning per Share	Price Earning Ratio has no effect and is not significant on Stock Prices
			Stock Prices (Y1)	Closing price	Simultaneously Return On Assets, Return On Equity, and Price Earning Ratio Affect Stock Price
10	Mining Stock Price Index on Macro Economic	(Hernawan et al., 2020)	BI Rate (X1)	Interest rate is a policy that reflects the monetary policy stance or stance set by Bank Indonesia	BI Rate (X1) has an effect on the Mining Stock Price Index

No	Research Title	Year and Author	Variable	Measurement of Variables	Research Result
Indicators				and announced to the public	
			Exchange Rate (X2)	Exchange rate used is the Indonesian currency (rupiah) against the United States foreign currency (dollar) in the territory of Indonesia using the middle rate determined by Bank Indonesia	Exchange rate (X2) has an effect on the Mining Stock Price Index
			Inflation (X3)	Inflation rate	Inflation has no effect on the Mining Stock Price Index
			Stock Prices (Y1)	Closing price	BI Rate, Exchange Rate, and Inflation simultaneously affect the Mining Stock Price Index

Source: Research data

This research will be used to inform future studies in the field of financial management. Relevant research is very important in research articles, which serves to strengthen the theory of relationships between variables. The objects in this study came from various companies listed on the Indonesia Stock Exchange (IDX) in sector mining, food and beverages, manufacture, banking, and property companies. But, there is still little research in Indonesia related to stock price research using the ESG index.

IDX officially introduced the ESG index in late 2020. The ESG Index tracks how well stocks perform based on their Environmental, Social, and Governance (ESG) ratings. These stocks should also not be very controversial and should have good trading activity and financial results. Sustainability analysis is used to assess ESG factors and analyze controversies. This analysis uses companies in the IDX80 index and considers their ESG risk scores. IDX works with Sustainalytics to get ESG data. Sustainalytics is a well-known independent group that focuses on ESG research and how companies are governed. The ESG data includes ESG risk assessments and controversy analysis, which will be used to decide which companies are included in the IDX ESG Leaders Index (Exchange, 2024).

CEOs realize that to plan and carry out environmental and social goals, companies must promise to follow good corporate governance practices (Hoyos Guevara & Dib, 2022). In this way, ESG is included in the company's Vision, Mission, and Values, making it a key part of the company's strategy. This is because ESG standards are the basic requirements of the global market, which helps create a positive image and value for the company. Disclosure of information about ESG practices is more and more important because it shows where a company stands and what it does. When a company communicates clearly and regularly, people can study how it deals with sustainability. This also helps investors avoid greenwashing, which is when a company says it's doing good things for the environment but really isn't. Also, new studies show that ESG is still gaining popularity. Like in 2021, more than one in four investors worldwide say ESG is very important to how they invest (26% compared to 28% in 2021). But, in 2022, more people said they “accept” ESG (34% compared to 32%) and “comply” with it (29% compared to 24%) (Ground, 2022). So this study aims to reveal the factors that influence share prices in companies listed on the Indonesian Stock Exchange based on ESG Index. This study will give information for future studies about financial management especially

people who like to learn about capital markets who still do not have information about ESG in capital markets in Indonesia in making investment decisions.

So that the research questions in the research based on previous studies that will be carried out are:

1. Do internal factors such as DER, PER, ROA, NPM, DPR, CR, EPS, ROE, PBV and Sales Growth influence the prices of shares listed on the ESG Leaders index?
2. Do external factors such as inflation, exchange rates, and BI Rate also influence the prices of shares listed on the ESG Leaders index?
3. Together, do internal and external factors influence the share prices listed on the ESG Leaders index?

II. LITERATURE REVIEW

Signaling Theory

Ross developed the signaling theory in 1977. It explained how a company should send messages to possible investors (Sukesti et al., 2021). This message tells investors what the company's leaders such as companies that have implemented ESG adequately have done to meet the owner's goals. Signaling theory says that companies need to send signals to investors to shape how they see the company's future. The announcement of financial report statement expected to be a signal for investors when they make investment decisions. Managers have information about the company that is not available to everyone else. This information is helpful if the company's current investments or chances to invest can increase the company's future income. If the manager can send a clear signal, people will be impressed. They will trust the information, and this will affect the stock price. So, because some people have information that others don't, it's very important for companies to send signals to investors or the public through their management decisions.

ESG stands for Environmental, Social, and Governance. These are the three main factors used to measure a company's performance in terms of sustainability and social responsibility. For investors, ESG is very important in financial statements because it can help investors understand the risks and opportunities associated with a company's environmental, social and governance performance and can help investors make more informed investment decisions that take sustainability factors into account. For companies, ESG can also provide benefits in helping companies understand their impact on the environment and society, and identify opportunities to improve sustainability performance.

How ESG is reported in financial statements is consistent with companies publishing sustainability reports separate from their financial statements, which include information about ESG performance. Some companies integrate ESG information into their financial statements, such as in their annual report or a sustainability report included in the financial statements. On this ESG reporting, helps companies especially companies listed on the IDX in increasing transparency about the company's performance in terms of sustainability and social responsibility and identifying opportunities to improve sustainability performance and reduce risks. Of course, what the company does can help increase investor confidence by demonstrating the company's commitment to sustainability and social responsibility. Companies play a very important role during disruptive events like a crisis or, more recently, a pandemic. Companies can no longer focus only on making money for shareholders. They must also think about ESG (environmental, social, and governance) issues. Moreover, an adequate and effective corporate governance should lead to higher disclosure quality (Tettamanzi et al., 2022). This corporate governance includes how the company carries out its operations and reports on financial accountability. Adequate financial reporting will influence investors in investing in the company. Based on the previous research from Table 1 we can get variables that can affect stock prices in **Figure 1**.

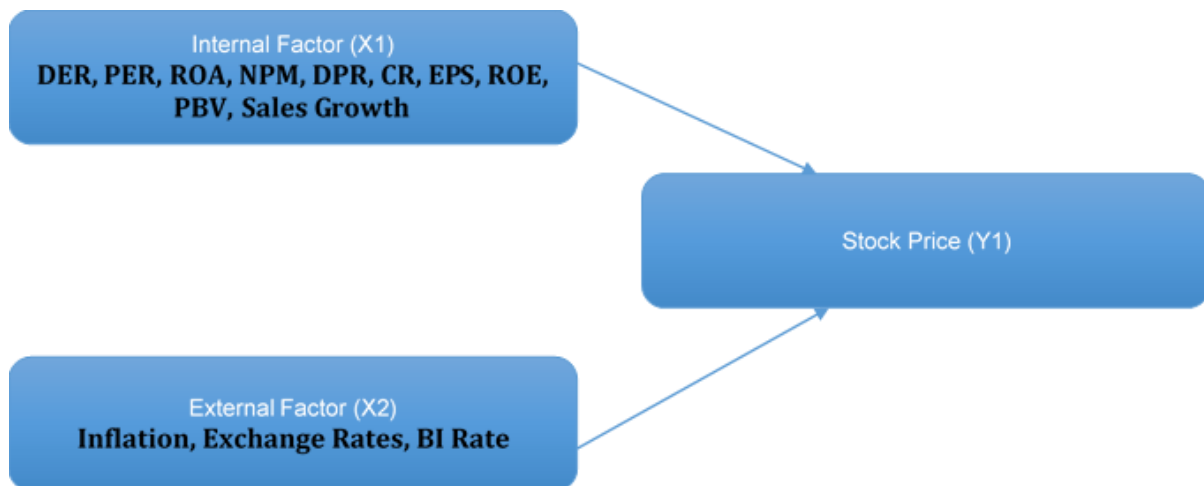


Figure 1. Conceptual Framework

How stock price is impacted by many factors of in examples investment decisions with calculations using Price to Earning Ratio (PER), financing decisions with calculations using Debt to Equity Ratio (DER), financial performance or size of the company using calculation using Return on Asset (ROA), net profit margin (NPM), Dividen Payout Ratio (DPR), Current Ratio (CR), Earning per Share (EPS), sales growth, profitability with calculations using Return on Equity (ROE), Price to Book Value (PBV) and also sales growth. Stock price is also impacted by economic indicators such as Inflation, BI rate, and exchange rate. This research will be used to inform future studies in the field of financial management. Relevant research is very important in research articles, which serves to strengthen the theory of relationships between variables. The results of this study will be used to inform future studies the relationship between variables indicate that financial ratio companies and economic indicators, such as inflation, exchange rates, and BI rate have a directly and positively effect on stock prices.

Stock Price

According to (Sartono, 2015) on (Dekrijanti et al., 2023), stock prices are created by supply and demand in the stock market. If more people want to buy stocks than sell them, stock prices usually go up. On the other hand, if more people want to sell stocks than buy them, stock prices usually go down. According to (Jogiyanto, 2016) on (Dekrijanti et al., 2023), a stock price is "The price of a stock at a specific time on the stock exchange, decided by investors based on how many people want to buy or sell that stock. " (Brigham & Houston, 2018) on (Dekrijanti et al., 2023) say that a stock price "shows how much money the shareholders have. " Shares are proof that a person or group owns part of a company. Shares are usually a piece of paper showing that the person who has it owns part of the company that made it. If you buy shares, you get a paper that says you own part of the company that issued those shares. If an investor wants to buy stocks in the stock market, they need to know the stock price first. This helps them decide how many shares of a company to buy. Stock prices are determined by how much people want to buy and sell on the stock exchange. The price of a stock will change based on news and information about the company and the world around it. Information about how well the company is doing is considered internal information.

Shares are a way to show that a person or group owns part of a company. A share is a piece of paper that says the person holding it owns part of the company that made it. When you buy shares, you get a paper that says you own part of the company that issued the shares. Stock certificates have a "Underlying Truth" behind them. A company's stock price will eventually depend on how well the company that issued the stock certificates performs. Many pieces of evidence show that this

Underlying Truth is real (Sunendar, 2019). Thus, stock price is the value or price that must be paid by investors to buy one share of a company traded in the capital market. This price fluctuates over time based on various factors.

The construction of price formation that continuously occurs on the stock exchange, allows us to obtain prices at any time. Meanwhile, the value of the company can be seen through the company's performance presented through its Financial Report. We say the stock market is overpriced when stock prices are too high compared to company earnings. If this is the case, stock prices will likely drop. The stock market is considered underpriced when a company is doing well, but its stock price is still low. When this happens, stock prices will likely rise as the company's future looks better (Siladjaja, 2022).

Stock price is the last price at which a stock was traded on the stock exchange (such as BEI – Indonesia Stock Exchange). This price is determined by supply and demand between sellers and buyers in the stock market. Share prices are not determined unilaterally by the company, but by market mechanisms.

The impact of stock prices on companies reporting Environmental, Social, and Governance (ESG) performance is an important topic in the modern world of finance and investment. ESG reports reflect how a company manages its impact on the environment, society, and good governance. Companies with good ESG performance tend to attract institutional and retail investors who care about sustainability issues. This increases demand for the company's shares, which can push the stock price up. Examples include BlackRock and Vanguard increasing their portfolios' investment in companies with high ESG ratings. Investors are now using ESG indicators as a component of stock valuation, along with fundamental and technical analysis. ESG is considered part of risk analysis and long-term prospects.

I. Internal Factors

Internal company factors that affect stock prices are closely related to the condition and performance of the company itself. These factors reflect the company's fundamentals and are often the main concern of investors in making investment decisions. Internal factors that influence stock prices, such as the company's financial performance. Financial statement ratios that describe for financial performance are useful for comparing financial results from different time periods. They can also help find problems or see how companies in the same industry perform against each other (Barron, 2019). Financial statement ratios are analytical tools used to evaluate a company's financial condition and performance based on data contained in financial statements (such as balance sheets, income statements, and cash flow statements). This ratio helps managers, investors, creditors, and other parties to assess the financial health of a company, compare performance between periods, compare the company's finances with similar companies, and assist in making investment and management decisions through measuring the company's ability to meet short-term and long-term obligations and measuring the company's ability to generate profits. This ratio also help managers, investors, creditors, and other parties to assess how efficiently the company uses its assets and how well the company performs.

Financial statement ratios can be described in calculations, like Return on Assets (ROA), Net Profit Margin (NPM), Current Ratio (CR), and Return on Equity (ROE). The increase in revenue and net profit is usually responded positively by the market, high profitability indicates operational efficiency and attracts investors including the company's success in showing how efficiently the company generates profit from its equity. In addition, healthy operating cash flow indicates strong business continuity. Stock prices are also influenced by internal company factors such as company growth that can be described in sales growth, price earning ratios (PER), and Earning per Share (EPS). The level of profit growth has an effect on companies with high profit growth which tends to attract investor interest. Plans to expand into new markets or launch new products can improve a company's prospects. Company policy in terms of capital structure, including in this case financing policy and where the financing comes from, is also an internal company factor that can influence share prices, in this case, influencing investors when investing in the company. Too high a debt level can be considered risky by investors, this can be calculated from the value of Debt to Equity Ratio (DER). The decision to make a

financing policy through the use of funds from debt or equity to finance a project will affect the perception of risk and return.

Consistent dividend payments given by the company to shareholders are also a factor influencing the value of stock prices. Regular dividends that increase over time signal the financial stability of the company. Assessment of the dividend ratio can be shown through the calculation of the Dividend Payout Ratio (DPR). This ratio reflects how much profit is distributed to shareholders.

a) Debt to Equity Ratio (DER)

This ratio calculation is used to assess the solvency of a company. This calculation helps to see if a company can pay its debts by comparing what it owes with its total operating capital, also called equity. If a company owes more than its operating capital, then this is one sign that the company's solvency is problematic (Fitriana, 2024). This calculation helps to see if a company can pay its debts by comparing what it owes with its total operating capital, also called equity. If a company owes more than its operating capital, it could mean the company has trouble paying its debts. Total Liabilities (Debt) is the total amount of money the company owes includes all short-term and long-term obligations that the company must pay, both in the short term and the long term. Total Equity (Equity) is the amount of capital the shareholders own, including what they invested and the profits the company kept.

The meaning and interpretation of DER in a company can be known if the DER is high (> 1), it shows that the company is financed more by debt than by equity. This can indicate a high financial risk, especially if the company's cash flow is unstable. While companies that have a low DER ratio (< 1), this shows that the company's funding comes more from equity. This can be considered safer, but it can also indicate that the company is not utilizing leverage optimally. So that for companies and creditors and investors, the ratio of DER can be used as a form of financial risk assessment of the company. This calculation is useful for creditors and investors to evaluate the capital structure and affect the interest rate of loans offered by creditors to the company. For the company itself, for management it can help management in making funding decisions. However, DER has some limitations. It doesn't take into account the cost of money or interest rates. Also, it doesn't separate debt that helps a company make money from debt used for personal spending. Additionally, depending on the industry, a company's DER level can change. For example, utility companies usually have higher DER than technology companies. The ideal benchmark for calculating DER depends on the industry sector and business characteristics. Investors usually compare a company's DER with similar companies in the same industry.

Financial ratios can help determine if stock prices and the debt-to-equity ratio (DER) have an impact. The debt-to-equity ratio is a key financial ratio for evaluating a company's financial health. If this ratio goes up, it indicates that the company relies on creditors for funding. As a result, companies with a high debt-to-equity ratio may struggle to get more loans from other sources (Markonah & Cahaya, 2023).

Debt to Equity Ratio is a key tool for checking a company's financial structure and risk. To get a clearer view, this ratio should be looked at along with the industry and business plans, and compared to similar companies. Companies with good ESG performance tend to gain investor trust so that the company will get more equity capital. This will have an impact on the decreasing DER. Companies will also find it easier to get cheap financing (green bonds, green sukuk) so that their debt structure will be more controlled. Companies that have good risk management (Governance) will actually avoid excessive debt. Companies with high DER can lower ESG Scores, especially regarding Governance. Companies with high DER are often indicated to be less careful in financial management. If debt is used for expansion without a strong ESG basis (for example: building a factory without considering the environmental impact), it will lower the ESG score, especially the Environment and Governance aspects. High DER can also pose a risk of default, which damages reputation and governance.

Thus, ESG can act as a controller of DER, companies with good governance are more careful in borrowing. DER is also important to be an indicator of financial health in the ESG framework, if it is too high, it can damage the governance dimension. Modern investors prefer a combination of healthy DER and solid ESG performance.

b) Price Earning Ratio (PER)

Price-to-earnings ratio (PER) is a ratio that compares a company's stock price to its net income per share. Also, the price-to-earnings ratio (PER) can be used to figure out how much return you are getting on money put into a stock, or how well a stock can make money. (Aletheari & Jati, 2016) on (Saputra, 2022). Thus, Price to Earnings Ratio (P/E Ratio) is a valuation ratio used to measure a company's stock price relative to its net earnings per share. This ratio reflects how much investors pay for each unit of profit generated by the company. A low P/E Ratio means the stock is undervalued, or the company has fundamental issues that are causing earnings to decline. This is common in cyclical sectors or slow-growing industries. If a company is expected to grow rapidly, it usually has a high PER. So the P/E Ratio is an important tool in stock analysis, measuring how expensive or cheap the stock price is compared to the company's profits.

Relationship between Price to Earnings Ratio (P/E Ratio) and ESG (Environmental, Social, and Governance) is getting more important in modern investment analysis, especially since investors are focusing more on sustainability and corporate governance. Even though P/E is a financial measure and ESG is not, they both affect how the market sees things, how stocks are valued, and what investments people choose. Companies with good ESG performance often have a strong reputation among investors for having lower legal, social and environmental risks and for having more sustainable growth in the long term. The impact is that investors will be more willing to pay a higher share price for each unit of profit so that the P/E Ratio increases.

c) Return on Asset (ROA)

Return on Assets (ROA) is one of the profitability ratios used to measure how efficiently a company uses its total assets to generate profits. ROA shows a company's ability to generate profits from its assets, making it an important indicator in financial analysis. ROA shows how well a company uses its things to make as much money as possible. You find ROA by comparing a company's profit to what it owns. A high ROA means the company is good at using what it has to make money. More income means investors get more money back, which changes the stock price (Sukesti et al., 2021). This ratio states how many rupiah of net profit is generated from each rupiah of assets owned by the company.

Interpretation of Return on Asset ratio can be seen that high Return on Asset ratio will indicate that the company uses its assets efficiently to generate profits. Meanwhile, low Return on Asset ratio in the company indicates that assets are not used optimally or the profit margin is low. Return On Asset ratio can provide a comprehensive picture of the efficiency of asset use. It can also make it easier for investors to make comparisons between companies in the same industry and this is an important indicator for investors and management. Return On Asset can be applied in an investor's decision making to assess whether the company manages assets efficiently. This is for company management to evaluate the efficiency of the asset usage strategy. For creditors, Return On Asset ratio can be used to assess the company's ability to generate profits to pay debts. So, Return on Assets (ROA) is a key measure of how well a company makes money from its assets. ROA is helpful, but it should be used with other financial ratios for a full review. One ratio by itself is not enough to show the company's complete financial health.

The relationship between Return on Assets (ROA) and ESG (Environmental, Social, and Governance) is increasingly becoming an important focus in the business and financial world as both play a role in measuring corporate performance and sustainability. Companies that have implemented adequate ESG reporting and have practiced ESG can drive the company's operational efficiency, which will have an impact on increasing return on assets. Good ESG practices (eg energy efficiency, waste management) of course reduce operational costs. An example is the use of renewable energy which can reduce the company's operational electricity costs. This efficiency can have an impact on increasing net income and increasing return on assets. The relationship between ESG in terms of strengthening consumer reputation and loyalty is undeniable and can also have an influence on the selection of ethical and responsible companies. Compliance with environmental and social standards reduces the potential for fines or litigation. Current government policies already consider the impact of the environment on the management of company operations. This can have an impact on increasing the company's revenue

and profit which can have an impact on increasing the Return on Asset ratio. This increasing ratio can also be a potential that comes from investors tending to provide funds to companies that implement ESG.

d) Net Profit Margin (NPM)

Net Profit Margin (NPM) is a financial ratio that shows how much net profit a company earns from each revenue generated. This ratio is often used to measure the final profitability of a company, namely how much percent of revenue is left after deducting all costs, including operating costs, interest, taxes, and other costs. In simple terms, Net Profit Margin shows the efficiency of a company in managing all its costs compared to the revenue earned. If the NPM is high, it means that the company is able to generate high net profit from its sales. Conversely, a low NPM indicates that the company has high costs or poor operational efficiency. NPM shows the relationship between net profit after tax and controlled costs, which shows how well management can run the company. NPM also shows how much net profit was made from total sales. If net profit does not increase as much as sales increase, the NPM ratio will go down (Bustani et al., 2021). So NPM can provide a comprehensive picture of the company's final profitability and is suitable for comparing financial performance between companies in the same industry. This ratio can indicate management's ability to control expenses and costs. However, the calculation of this ratio cannot describe the entire cash flow in the company's financial statements because it does not consider the scale of operations (large companies can have low NPM but still make big profits) and is not suitable for comparing companies across industries.

Therefore, Net Profit Margin (NPM) is an important ratio that measures how much net profit is generated from total revenue. This ratio reflects the overall efficiency and profitability of a company. A high NPM indicates the company's ability to generate large profits after all expenses are deducted, while a low NPM indicates the need for improvements in cost structure or operational strategy.

Relationship between Net Profit Margin (NPM) and ESG (Environmental, Social, and Governance) is becoming increasingly important in the context of sustainable business in companies. In the modern era, companies are not only judged by how much profit they generate, but also how they generate that profit ethically, environmentally friendly, and socially responsible. ESG implementation is often seen as an upfront cost that is not profitable for companies in the short term, but it can actually reduce legal and regulatory risks in the future and can lower operational costs through energy efficiency and waste reduction carried out by companies through ESG implementation. Investors who now see the importance of implementing ESG in the companies they invest in, including customers as consumers who see the importance of implementing ESG, of course this will increase customer loyalty and brand image so that it can encourage sales of company products and services and will attract institutional and individual investors who prioritize sustainability in investment selection, thereby strengthening funding. The direct impact is that Net Profit Margin has the potential to increase in the medium and long term. Many studies have found that companies with high ESG performance have a positive correlation between ESG and NPM in practice, such as lower corporate capital costs and lower reputational and litigation risks on the impact of corporate operations in terms of governance and its impact on the environment.

e) Dividend Payout Ratio (DPR)

Dividends are the earnings that investors get from their investments. Every investor wants a return that matches how much they invested in a company. But the company needs to keep up its performance. This way, dividend payments to investors will meet their expectations. Dividends, when a company gives some of its earnings to its shareholders. Investors who buy shares hope the company will make a lot of money (profits). If the company does make a lot of money, it can give some of that money to its shareholders as dividends (Puspita et al., 2022). It can be concluded that the Dividend Payout Ratio (DPR) is a financial ratio that shows the percentage of a company's net profit distributed to shareholders in the form of dividends. This ratio describes the company's policy on profit distribution,

whether the company prefers to distribute profits as dividends or retain them for reinvestment (retained earnings).

Dividend Payout Ratio measures the portion of net income paid out as cash dividends to common shareholders. The remaining earnings are usually used to finance expansion, debt repayment, or other investments. There are many factors for companies in making policies to determine dividends to be distributed to shareholders, like net profit level, investment needs, some companies have a fixed policy (dividend policy) to distribute regular dividends, but not all companies distribute dividends they obtain from the company's operating income, technology-based companies and startups tend to retain profits for expansion because developing companies in the world of technology and startups requires a lot of money. If a company needs capital for expansion, the DPR is usually lowered. Companies with stable cash flow are more willing to set high DPR. Public companies with large shareholders often keep their DPR stable in order to maintain their reputation and stock price.

A high dividend payout ratio can indicate that the company is stable and not too focused on major expansion. On the other hand, this is attractive to investors looking for fixed income (income investing). Dividend Payout Ratio shows the percentage of net profit distributed to shareholders in the form of dividends and this reflects the company's profit distribution policy and attitude towards shareholders.

The relationship between Dividend Payout Ratio (DPR) and ESG (Environmental, Social, and Governance) is increasingly important in the analysis of a company's financial performance and sustainability. Both reflect how a company manages profits, governance, and accountability to shareholders and other stakeholders. Companies with good governance (ESG Governance) tend to have consistent and transparent dividend policies. Transparency in dividend distribution reflects a commitment to accountability and shareholder protection. For example, companies with high ESG tend to avoid manipulating earnings reports to change dividends. This creates long-term trust from investors.

Dividends also show a balance between social responsibility and welfare for shareholders. This relationship requires companies to use profits not only for dividends, but also for investment in employee welfare, local communities, and supply chain sustainability. So companies tend to lower the dividend payout ratio because some of the profits are retained for social activities, but build a long-term reputation that can increase the value of the company and stock prices, which ultimately benefits investors.

f) Current Ratio (CR)

Current ratio helps measure if a company can pay its short-term debts right away. It shows how much the company has on hand to cover debts that are due soon. The current ratio also shows how safe or secure a company is. To calculate it, you compare the company's total current assets with its total current debts. A newer way to calculate the current ratio is to subtract inventory and accounts receivable from current assets. Current assets are things the company owns that can be turned into cash quickly, usually within a year (Fitriana, 2024). So, Current Ratio is one of the financial ratios used to measure a company's ability to meet its short-term obligations with its current assets. This ratio is very important in assessing a company's liquidity.

Current Ratio for a company, can measure liquidity capability so that it can assess whether the company can pay off its short-term obligations so that it helps the company's management in making decisions, if the ratio is too high, management can consider using current assets more efficiently. This ratio for investors can assess the risk of default from the company to be invested, of course this is an important calculation for investors so as not to be wrong in investing capital in the company. However, it should be noted that this ratio does not consider the real liquidity of each component of current assets (for example, inventory may be difficult to sell) and cannot show the timing of cash inflows and outflows, only the quantity. And it does not describe the quality of cash management in depth. However, the Current ratio is an important indicator in financial analysis that helps assess a company's ability to face short-term obligations. However, in its use, this ratio must be considered

together with other financial ratios such as the quick ratio and cash ratio for a more complete and accurate picture of liquidity.

The relationship between Current Ratio and ESG (Environmental, Social, and Governance) is not direct, but can be understood conceptually and strategically through the influence of ESG on risk management, operational efficiency, and investor attractiveness.

Current Ratio reflects short-term liquidity so that the company's ability to meet current liabilities with current assets. This in ESG reflects the company's commitment to environmental sustainability, social responsibility, and good corporate governance. The relationship is that good ESG implementation tends to increase operational efficiency, reduce legal and reputational risks, and attract investors and creditors, which can ultimately improve the structure of short-term assets and liabilities, including the current ratio. Companies investing in green technologies may initially incur high costs (decrease cash), temporarily lowering the current ratio. But in the long run, energy efficiency and reduced environmental fines will save operating costs, thereby increasing cash and current assets.

Companies that maintain good relationships with employees and communities (through wellness programs or CSR) often have high productivity and low turnover rates. This reduces training or recruitment costs, which means operational cost efficiencies, strengthening cash flow. Companies with strong governance have good financial monitoring systems, including working capital management. This prevents waste, manipulation of financial statements, or inefficient use of current assets.

The relationship between current ratio and ESG is indirect but significant in the long term. Good ESG implementation will improve the efficiency and stability of cash flow, the company also gets a positive image by strengthening the trust of creditors and investors, improving the governance of current assets and current liabilities. In other words, ESG can help create a healthy financial structure, including maintaining the current ratio at a stable and safe level, which reflects the company's short-term financial resilience.

g) Earning per Share (EPS)

For companies that are in public, earnings are shown as an amount for each share. Private companies don't usually show earnings this way, but the idea is still useful. If earnings are not adjusted based on the number of shares, it's hard to tell if investments made by issuing new shares have helped or hurt earnings. Showing earnings per share is also important when figuring out how equity-based compensation that could increase the number of shares affects shareholders (Harms, 2019).

Earnings per Share (EPS) is one of the main indicators used in financial analysis to measure the level of profitability of a company per outstanding share. EPS is very important for investors because it reflects how much net profit is earned for each common share.

Although EPS is a traditional financial indicator, in the context of ESG (Environmental, Social, Governance), companies that integrate ESG well tend to avoid fines and litigation (through the ability to maintain net income), while also increasing customer loyalty and efficiency (increasing EPS), and can attract institutional and individual investors in the long term so as to maintain stock price stability. EPS should not be analyzed alone, but rather combined with other indicators such as ROE, PER, and cash flow, as well as strategic and sustainability context (ESG) for a comprehensive assessment.

The relationship between Earnings per Share (EPS) and ESG (Environmental, Social, and Governance) is an indirect but strategic relationship, because sustainability performance (ESG) can affect a company's profitability and risk, which is ultimately reflected in EPS.

h) Return on Equity (ROE)

Profitability ratio helps to see how well a company is making money. Profitability ratios also show how much power the company has. Basically, these ratios show how well the company is doing. The profitability ratio shows how well the company is making money from its business. The profitability ratio measures how much profit is made compared to sales or assets. (Nuridah et al., 2022). One of the calculations for profitability ratio is using Return on Equity (ROE).

Return on Equity (ROE) and ESG (Environmental, Social, Governance) have a significant strategic relationship, although not always a direct one. ROE measures a company's efficiency in generating returns on shareholders' invested capital, while ESG assesses the extent to which a company acts responsibly towards the environment, society, and governance. ROE shows how much profit a company generates from each unit of shareholder capital. A high ROE means the company is efficient in using its capital to generate profits.

ESG can affect both components of ROE, namely net income and equity. ESG encourages efficiency, innovation, which will improve the company's reputation in the eyes of customers, so that the company's profit will increase. This can attract new investors to invest their capital in the company, so that the company's equity will increase, but with a balanced profit growth, it will have implications for the company's ROE being stable or even increasing. Companies that invest in energy efficiency, recycling, or emissions reductions tend to save on operating costs. This can increase net income, thereby increasing ROE. Companies with strong governance (independent audit committee, transparent reporting) tend to avoid financial scandals and major losses. This will have an impact on the company's attention to maintaining stable profits and increasing investor confidence, which will have an impact on low cost of capital and healthy growth of company equity.

i) Sales Growth

Sales growth is a way to measure how well a company can keep its place in the economy as the economy and its industry grow. We can see how much sales have grown by looking at how much a company's sales change each year. A company with steady sales can handle more debt and fixed costs than a company with unsteady sales. Sales growth is measured by comparing sales in year t after taking sales away. (Nuridah et al., 2022). Sales Growth is an important indicator in financial analysis and business strategy that measures changes in sales revenue over time. This indicator reflects the company's ability to increase revenue from products or services offered, either through volume, price, new markets, or promotional strategies.

Why sales growth is important because it is an indicator of market expansion where sales growth shows the company's success in expanding the market or customer segment. Sales growth is also the main driver of profitability. Without sales growth, it is difficult to increase profits in the long term. Sales growth is also one of the attractions for investors where high sales growth attracts investors because of the potential for greater returns. For companies, sales growth is the basis for evaluating business strategies to assess the effectiveness of product innovation, promotion, or market expansion.

Good ESG implementation can strengthen sales growth, especially in terms of brand image and customer loyalty. Sales Growth is a vital indicator to measure the dynamics of a company's revenue and the success of its growth strategy. However, sustainable sales growth must be accompanied by cost efficiency and healthy margins, and supported by a strategy that is adaptive to the market. This is in line with ESG practices that strengthen reputation and long-term relationships with customers.

j) Price to Book Value (PBV)

The company's value in the signaling theory spoken to by price to book value (PBV) is significant to signal information given by the company to outside parties, so this demonstrates that the company is straightforward in its management. In signaling theory, PBV can give a great news or positive signal to investors (Bustani et al., 2021). The PBV ratio compares a company's stock price to its book value per share. This ratio reflects the market's valuation of a company's net assets. The Price to Book Value ratio serves as a helpful instrument for evaluating the fair value of stocks, particularly in industries that depend significantly on fixed assets. Nevertheless, it is important to use this ratio alongside other fundamental analysis and to adapt it to the specific traits of the industry.

PBV works well for industries with a lot of physical property like banking, real estate, and factories. It helps find stocks that may be worth more than their price. But this ratio doesn't work for companies that own mostly ideas or brand names. It can also be wrong if the book value doesn't show what the asset is really worth on the market, like when something has lost value over time, plus it doesn't think

about how much a company's profit might grow. So, PBV is often used with other ratios, like Price Earning Ratio (PER) which compares value to earnings. It's also used with Return on Equity (ROE) to see how well a company uses its investments. A high ROE combined with a low PBV could mean it's a good time to buy the stock.

The relationship between Price to Book Value (PBV) and ESG (Environmental, Social, and Governance) is increasingly relevant in the modern investment world. PBV measures the market valuation of a company's book value (equity). The higher this ratio, the greater the premium investors are willing to pay for the company's net assets. ESG, on the other hand, refers to a company's environmental practices, specifically regarding environmental impact management (emissions, waste, energy), social responsibility (employees, communities, and customers), and governance (transparency, risk management, and board independence). The connection between Price to Book Value (PBV) and ESG (Environmental, Social, and Governance) is becoming more important for investors today. PBV tells you how the stock market values a company's assets. If the ratio is high, it means investors will pay more for what the company owns. ESG includes what a company does to protect the environment, like managing pollution, and how it treats people, like workers and customers. It also covers how a company is run, including being open and honest, managing risks, and having an independent board.

The relationship between ESG and PBV is that ESG is a determinant of market perception. Companies with high ESG scores tend to receive better market perception because they are seen as more sustainable in the long term and more resilient to non-financial risks, such as litigation, environmental disasters, or social boycotts. Companies that have implemented ESG are also considered able to access financing with a lower cost of capital (e.g., green bonds). The consequence for the company is that its stock price will rise, resulting in an increase in PBV because market prices increase while book value remains relatively stable.

Companies that have implemented good ESG practices tend to maintain physical and intangible assets more prudently and avoid losses due to environmental litigation or workplace accidents. Furthermore, they will increase book value through efficient asset management, which can result in increased book value, thus maintaining PBV despite rising market prices. Investors are increasingly avoiding companies with low ESG scores due to fears of fines or closures due to environmental violations and reputational risks due to labor exploitation. In terms of governance, companies that have not implemented ESG face governance risks, such as fraud, corruption, or conflicts of interest. The relationship between depressed stock prices and the risk of declining PBV is significant.

ESG relationships in some sectors (e.g., energy, mining, and heavy industry) typically have low PBV due to high environmental risks. However, if companies in these sectors adopt ESG effectively, they can increase institutional investor trust by achieving high ESG ratings, attracting ESG funds or sustainable funds.

Global institutional investors (such as BlackRock, Vanguard, etc.) now include ESG as a key investment criterion. This has led to high demand for ESG stocks, leading to price increases for stocks that adequately implement ESG, which in turn leads to higher PBV.

II. External Factors

External factors that affect stock prices, namely factors beyond the direct control of the company but can have a significant impact on market perception, stock supply and demand, and company valuation. External factors greatly affect stock prices through sentiment, risk, and market opportunities. Even though the company's fundamentals are good, negative external conditions (such as rising interest rates, trade wars, or global recessions) can significantly depress stock prices. In macroeconomic terms, these external factors will determine the overall direction of the market. Government policies such as the BI rate will create regulatory opportunities or risks. In the global market, which is calculated through the exchange rate, it will affect regional sentiment. Because of changes in taxes and a tax forgiveness program, the government saw a worldwide economic slowdown that hurt investment. This situation will likely make investors think twice about putting money in the stock market. It will also affect things like interest rates, inflation, and exchange rates, which have already changed. This makes

it worthwhile to study this issue again. Many things can change a stock's price, both from inside and outside the company. Internal factors are things happening inside the company, while external factors are things happening outside it. External factors are things like economic policies, interest rates, inflation, commodity prices, and exchange rates. (Hernawan et al., 2020).

a. Inflation

Inflation is a condition in which there is a general and continuous increase in the price of goods and services in a certain period of time. In other words, inflation causes a decrease in the purchasing power of money, because the number of goods/services that can be purchased with a certain amount of money becomes less. Inflation is a phenomenon of general price increases that directly affects purchasing power, public welfare, and national economic stability.

The link between inflation and companies that use ESG (Environmental, Social, and Governance) is complicated but needs to be understood, especially when it comes to being sustainable, working well, and staying strong as a business for a long time. Inflation is when the prices of most things go up over time. It affects companies directly by making their costs go up (for materials, labor, and shipping), reducing how much people can buy, raising the cost of borrowing money because interest rates go up, and making the market less predictable. Companies that don't have plans to be efficient and sustainable are usually more likely to be hurt by inflation. ESG helps to lessen the effects of inflation. ESG companies usually use energy and water more efficiently and use clean technology. When inflation makes energy prices rise, ESG companies are usually better able to handle it because they don't rely as much on traditional energy.

Companies that have good social practices (like fair pay, safe workplaces, and taking care of employees) usually have fewer people leaving their jobs. When there's inflation, it costs more to hire and train new people. ESG companies save money because their employees tend to stay longer. Also, ESG companies have better and more open ways of governing themselves, including managing financial and operational risks. Companies will be more ready to deal with ups and downs in the economy, including the risk of inflation, because they plan for the long term and make decisions based on data. Companies that have strong ESG reporting systems usually also have strong systems for controlling costs.

Investors think companies that use ESG are less risky and more likely to last. When inflation is high, it becomes more expensive to borrow money. But companies that use ESG may be able to borrow money at lower costs or get green financing (like green bonds or loans linked to sustainability), which is cheaper than regular financing.

Companies that don't use ESG tend to see their operating costs rise without control and rely on fossil fuels, which can have prices that change a lot. These companies will also have a hard time finding investors or getting financing when the economy is struggling. So, companies that use ESG are more prepared to handle inflation because they are efficient, have good governance, and have good relationships with stakeholders. ESG is not just a way to be sustainable, but also a way to adapt and deal with economic problems like inflation.

b. Exchange Rate

An exchange rate is the price of one currency when exchanged for another currency. In other words, the exchange rate reflects how many units of foreign currency can be obtained for one unit of domestic currency, or vice versa. Central bank (BI) has the authority to stabilize the exchange rate, through foreign exchange market intervention by selling or buying foreign currency to maintain the stability of the rupiah, taking interest rate policies by raising interest rates to attract foreign capital and maintain the exchange rate and foreign exchange management by maintaining foreign exchange reserves so that they are sufficient to face exchange rate pressures.

We can look at how exchange rates and companies using ESG (Environmental, Social, and Governance) principles relate to each other from different points of view, including economics, finance, and risk management.

Exchange rates affect a company's production costs if it imports raw materials from other countries. Also, for companies that export to other countries, exchange rates affect how much money they make from those exports. This affects not only raw materials and exported goods, but also companies that owe money in foreign currency and get money from foreign investments. The value of these companies in local currency changes when exchange rates change.

Companies that use ESG principles well are usually better able to handle changes in exchange rates. This is because they have strong governance, good market diversification, and careful risk management. Foreign investors trust companies that use ESG principles, so their stock prices are more stable even when exchange rates change.

These companies also use resources efficiently. For instance, using renewable energy reduces their need to import fuel, which reduces their risk from exchange rates.

ESG does not directly change currency exchange rates, but companies that are good at ESG can attract foreign investors. Foreign investors like to invest in companies that are sustainable and ethical. This can bring more foreign money into sectors that are good for ESG, which can help strengthen the country's exchange rate. Companies using ESG also tend to have less change in revenue because of exchange rate changes, because they use long-term strategies and hedging. For example, ESG companies often hedge, which lowers the risk of exchange rate changes.

So, for companies, using ESG practices not only helps their reputation but also helps them lower financial risks, including exchange rate risk. For investors, portfolios with ESG companies are better protected from big-picture risks, including exchange rate risk. Exchange rates affect companies economically and financially, but companies that use strong ESG practices can better handle the negative effects of exchange rate changes. ESG can help companies rely less on outside factors like imported raw materials, attract more foreign investors, and keep their company value stable over time.

c. BI Rate

BI Rate is the level of interest rate set by Bank Indonesia (BI) in monetary policy to control inflation, maintain the stability of the rupiah exchange rate, and encourage economic growth. BI rate functions in controlling inflation. If inflation is high, BI will raise the BI Rate to reduce consumption and price pressures. It also functions in maintaining exchange rate stability. A high BI Rate will be attractive to foreign investors, causing demand for the rupiah to increase. This will have an effect on a stable exchange rate. The BI rate also signals the market about the direction of interest rate policy.

The relationship between the BI Rate (Bank Indonesia's benchmark interest rate) and companies adopting ESG (Environmental, Social, and Governance) principles can be studied in depth through several elements, including the cost of capital, risk perception, financial resilience, and access to funding. The BI Rate is the policy interest rate set by Bank Indonesia and serves as an interest rate indicator for the banking sector. Changes in the BI Rate affect interest rates for loans and deposits, the rupiah exchange rate, inflation, and economic growth.

The relationship between the BI Rate and ESG companies in the context of capital and funding costs indicates that an increase in the BI Rate implies an increase in loan interest rates. Companies that rely on external financing will experience a surge in capital costs. However, companies that implement ESG tend to have better access to green financing, such as green bonds, sustainability-linked loans, and investment funds aligned with ESG principles. This makes ESG-compliant companies relatively more resilient to increases in the BI Rate, as they are perceived as lower risk and attract the attention of ESG-oriented institutional investors. Consequently, these companies often receive lower interest incentives from financial institutions that support sustainability.

Companies that implement ESG principles generally have stronger risk management and high transparency in reporting and governance. In situations where the BI Rate is high, it usually indicates economic uncertainty or significant inflation, so companies with ESG implementation are perceived as more stable by investors and creditors. Furthermore, companies with solid ESG practices tend to have better margins in the long term and are more resilient to economic pressures, especially during periods of high interest rates.

When the BI Rate rises and economic pressures increase, companies that have implemented ESG principles will be more efficient in their use of energy and resources and able to maintain customer and human resource loyalty, as they strive to mitigate performance fluctuations.

An increase in the BI Rate will make investors and creditors more selective in choosing stocks to invest in. In this situation, investors tend to seek safer assets.

ESG companies are considered more sustainable and secure in the long term. Therefore, capital flows will continue or even increase to companies that have implemented ESG, including those listed in ESG indices such as the IDX ESG Leaders and the MSCI ESG Index.

III. METHODS

Population and Sample

According to Sugiyono (2017) on (Abi Rizal Permadi, 2020) a population is a general group of things or people with specific qualities and features that researchers choose to study so they can reach conclusions. The population that the researchers will use in this study is companies that listed on IDX ESG Leaders from 2022 – 2025. Population of this study was 30 companies listed on the IDX ESG Leaders index, reporting for four consecutive years from 2022 to 2025, resulting in a total of 120 financial report data with a sample of companies that are regularly listed on the ESG Leaders Index.

Sample

The sample in this study took the entire population of companies listed on the IDX ESG Leaders but only listed from 2022 - 2025. The sample in this study is companies listed on the IDX ESG Leaders index that have been consistently listed from 2022 to 2025. There are 19 companies are regularly included in the ESG Leaders index. Therefore, this study's sample spans four years, from 2022 to 2025, comprising 76 financial report data. The research sample consists of companies regularly listed on the ESG Leaders index from 2022 to 2025, as shown in the following table.

Table 2.
Companies Sample Data

No.	Code	Company Name
1	ACES	PT. Aspirasi Hidup Indonesia Tbk.
2	AKRA	PT. AKR Corporindo Tbk.
3	BBCA	PT. Bank Central Asia Tbk.
4	BBNI	PT. Bank Negara Indonesia (Persero) Tbk.
5	BBRI	PT. Bank Rakyat Indonesia (Persero) Tbk.
6	BMRI	PT. Bank Mandiri (Persero) Tbk.
7	BSDE	PT. Bumi Serpong Damai Tbk.
8	CTRA	PT. Ciputra Development Tbk.
9	ERAA	PT. Erajaya Swasembada Tbk.
10	JSMR	PT. Jasa Marga (Persero) Tbk.
11	MAPI	PT. Mitra Adiperkasa Tbk.
12	MIKA	PT. Mitra Keluarga Karyasehat Tbk.
13	MNCN	PT. Media Nusantara Citra Tbk.
14	PWON	PT. Pakuwon Jati Tbk.
15	SCMA	PT. Surya Citra Media Tbk.
16	SIDO	PT. Industri Jamu dan Farmasi Sido Muncul Tbk.
17	TLKM	PT. Telkom Indonesia (Persero) Tbk.
18	TOWR	PT. Sarana Menara Nusantara Tbk.
19	UNVR	PT. Unilever Indonesia Tbk.

Research Data

The type of research data used in this study is quantitative data in the form of figures and information contained in the financial reports of companies listed on the IDX ESG Leaders.

Types and Sources of Research Data

The data source is secondary data that can be obtained from the Indonesia Stock Exchange (IDX) website, namely www.idx.co.id or from the company's website itself. Secondary data is data that is obtained indirectly or formed by other parties. The data is in the form of financial data in the company's financial statements and inflation data, BI rate, and the rupiah exchange rate to the US dollar which comes from Central Bank (BI) data.

Data Collection Technique

The data collection technique for this study uses documentation techniques. This technique is used to collect data in the financial reports of companies that listed on IDX ESG Leaders from 2022 – 2025 and also documentation from Central Bank (BI) data.

Research Variables and Variable Measurement

Table 3.
Operational Definition and Measurement of Variables

No	Variable	Measurement of Variables
1	Debt to Equity Ratio (DER)	Total Debt divided by Equity
2	Price to Earning Ratio (PER)	Share per Price divided by Earning per Share
3	Return on Asset (ROA)	Net Income divided by Total Assets
4	Net Profit Margin (NPM)	Net Profit after Tax divided by Net Sales
5	Dividend Payout Ratio (DPR)	Dividends divided by Net Income
6	Current Ratio (CR)	Current assets divided by current liabilities
7	Earning per Share (EPS)	Net Profit Margin divided by Number of Outstanding Shares
8	Return on Equity (ROE)	Net Profit divided by Total Equity
9	Sales Growth	$((\text{Selling } t) - (\text{Selling } t-1)) / (\text{Selling } t-1)$
10	Price to Book Value (PBV)	Stock Market Price divided by Book Value per Share
11	Inflation	Inflation rate
12	Exchange Rate	Exchange rate used is the Indonesian currency (rupiah) against the United States foreign currency (dollar) in the territory of Indonesia using the middle rate determined by Bank Indonesia from 2022 - 2024
13	BI Rate	Interest rate is a policy that reflects the monetary policy stance or stance set by Bank Indonesia and announced to public
14	Stock price	Closing price

Data Analysis Methods

1. Descriptive Analytics

Descriptive statistical analysis gives details about data that can be measured. This data is described using the average value (mean), the lowest and highest values (minimum and maximum), and the standard deviation in the study. The purpose of descriptive statistics is to present data in a way that is easy to understand.

2. Classical Assumption Test

The classical assumption test used for multiple linear regression analysis, this analysis will be fulfilled if it can pass the classical assumptions, namely normality, multicollinearity, autocorrelation and heteroscedasticity.

3. Multiple Linear Regression Analysis

Regression aims to test the relationship between one variable and another. Multiple linear regression analysis is used to determine the direction and extent of influence of the independent variable on the dependent variable. Multiple linear regression analysis will test how much influence the company's internal and external factors have on stock prices.

4. Hypothesis Testing

Coefficient of Determination

The coefficient of determination (R^2) shows how well the model explains changes in the dependent variable. The value of the coefficient of determination is always between zero and one. If the R^2 value is low, the independent variables are not very good at explaining what's happening. If the R^2 value is close to one, the independent variables give almost all the information you need to predict the dependent variable. Regular tests can favor the independent variables in the research model, so we use the adjusted R^2 value to check the regression model.

F Test

The f-statistic test is mainly used to see how well the sample regression function estimates the real value (Goodness of Fit). The F test checks if the independent variable can explain the dependent variable well. It also checks if the model used is a good fit.

T Test

The t-statistic test mainly shows how much each explanatory or independent variable helps explain the changes in the dependent variable. The t-test measures how important the influence of a decision is by comparing the calculated t value of each regression coefficient with the t table (critical value), based on the significance level used. The rules for judging the results of the t-test hypothesis are that a significance level of 5% (0.05) is used with degrees of freedom $df = n - 1$.

IV. RESULTS AND DISCUSSION

In this study, there is no chapter 4 presented in the results and discussion because the sample in this study uses data on companies included in the IDX ESG Leaders list from 2022 to 2025. Meanwhile, this year is still the current year so it requires financial report data on companies included in the IDX ESG Leaders list in 2025.

However, if the results of this study show that all or some variables have a significant impact on stock prices, it would be better for the company to implement ESG and report it regularly to shareholders or potential investors.

V. CONCLUSION

The conclusion of this study is that, given the current importance of ESG in its application to companies, further research is needed. This research is expected to assist investors in making investment decisions. In education, this research is expected to broaden students' insight into the world of capital markets, particularly in financial management courses. This research is expected to further form part of thesis assignments.

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