**KOMPARTEMEN: JURNAL ILMIAH AKUNTANSI**
September 2024. Volume 22, no. 2, 316-328

# The effect of ESG score, valuation, and earning on stock price

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## ABSTRACT

*The issue that arises in the minds of potential investors when choosing companies that apply ESG principles and standards in their operational processes creates a trend where investors manage their portfolios with financial assets and shares of companies that have implemented ESG standards in each of their business lines to reduce the risk of corporate uncertainty.* *The purpose of this study is to empirically demonstrate the effect of ESG Investing, which is projected with ESG Score, valuation, and earning to the stock price of publicly listed companies on the IDX in 2024. The results show that the three variables tested simultaneouslyhave a positive effect on stock prices with an Adjusted R-Square value of 49.4%, that is 0.494represents the variation stock price can be explained by the three independent variables, ESGscore, valuation which is represented by P/E Ratio, and earning which is represented by dividend per share.*

***Keywords:*** *ESG investing, sustainable development, capital market, investment management*

## ABSTRAK

Isu yang muncul dalam pertimbangan calon investor saat memilih perusahaan yang menerapkan prinsip dan standar ESG dalam operasionalnya menciptakan tren baru. Investor mengelola portofolionya dengan aset keuangan dan saham perusahaan yang telah menerapkan standar ESG di setiap lini bisnisnya. Hal ini dapat mengurangi risiko ketidakpastian perusahaan. Tujuan dari penelitian ini adalah untuk menunjukkan secara empiris pengaruh ESG investing yang diproyeksikan dengan *ESG score, valuation*, dan *earning* terhadap hargasaham perusahaan terbuka di BEI pada tahun 2024. Hasil penelitian menunjukkan bahwa ketiga variabel yang diuji secara simultan berpengaruh positif terhadap harga saham dengan nilai *Adjusted R-Square* sebesar 49,4% yang menunjukan bahwa 0,494 variasi harga saham dapat dijelaskan oleh ketiga variabel independen yaitu *ESG score*, *valuation* yang diproksikan oleh P/E *ratio*, dan *earning* yang diproksikan oleh *dividend per share*.

**Kata kunci**: Investasi ESG, pembangunan berkelanjutan, pasar modal, manajemen investasi

# INTRODUCTION

Environmental pollution and social inequality issues need to be driven by corporate governance. Companies should not only prioritize profits without a sense of responsibility towards the surrounding social environment. Companies must have standard procedures for disposing of gas emissions and factory waste in accordance with the provisions and operations of the resource utilization sector by prioritizing the principle of sustainability.

One of the standards that began to be adopted in the world of industry and capital markets in response to current social and environmental conditions is ESG. Now investors not only analyze financial factors but also consider non-financial factors including how business operations impact the environment, and how businesses can contribute to sustainability. The relationship and reputation of a corporation with its stakeholders and the way in which it engages with society, communities, suppliers, consumers, employees, and related parties, as well as consideration of corporate governance principles in regulating the structure and fundamentals of the company.

Analysis of a company's ESG performance can help investors predict a company's growth andmanage their risks (Napoletano, 2022). The extent of ESG implementation in a company's business processes can be an indicator for potential investors to understand the company's future risk of uncertainty and the company's responsibility to the environment and social surroundings. In line with IDX's commitment to continue to encourage ESG implementation in the capital market by issuing several regulations and reporting guidelines, as well as the Sustainable finance Award (SFA) in 2024 as a form of appreciation for companies that have implemented ESG standards well and on the investor side, IDX also provides convenience and transparency of information related to ESG assessment of listed companies and their sustainability risks, as well as the launch of several new indexes in 2024 such as IDX ESG Sector Leaders Index and IDX Green Economy Index as a part of the IDX's commitment to encourage the positive trend of ESG Investing on the IDX.

The issues that arise in the minds of potential investors in choosing companies that implementESG principles and standards in their operating processes, create a trend where potential investors manage their portfolios with financial assets and stocks of companies that have implemented ESG standards in each of their business lines to minimize the risk of company uncertainty. Therefore, the author looks at the problems arising from this ESG investing trend and its relationship with stock prices because one of the factors that affect stock prices is the performance of the company itself, and the author adds company fundamental factors to see whether fundamental factors and ESG factors incorporated in ESG Investing can affect stock prices.

Although there are studies that explore the impact of ESG on companies on the Indonesian stock exchange, there is a void in the literature that examines the combined impact of ESG and financial factors on investors decision making especially in the Indonesian capital market. There are only a few studies that directly link how ESG scores, market value, and earnings interact to influence stock prices in an emerging market context such as Indonesia. Previous research tends to analyze ESG separately such as Environment, social, and governance are each separate variables, and focuses on knowing the influence of ESG on conditions within the company, while in this journal the author has different findings where researchers focus more on the point of view of investors who want to know the influence of ESG which is analyzed together with fundamental factors and the firm market value and how it impacts the stock price itself.

## LITERATURE REVIEW

In this study author refer to stakeholder theory. Stakeholder theory suggests that a company cannot operate only for its own interests, this theory explains that an entity can influence the company as a whole and ensure that the company can create value and provide benefits for stakeholders (Miles, 2017). To survive and develop, a company needs the support of its stakeholders because in line with stakeholder theory, stakeholders can have a significant influence and impact on the sustainability of a company.

In addition, the author also refers to legitimacy theory. In the conception (Burlea & Popa, 2013), legitimacy theory is an enabling principle that supports organizations in implementing and evolving their corporate social and environmental disclosures to deliver on their social commitments that enable recognition of corporate goals and continued existence in an uncertain and environment. Aligned with the results of research conducted by (Richardson et al., 2013) states that legitimacy theory adds knowledge for companies in carrying out environmental and social related disclosures. This theory explains that social perceptions of company activities must be reported and in accordance with moral values in the surrounding community. Reporting and company actions on the environment and surrounding social conditions that are not in accordance with moral values will cause negative issues and sanctions which in turn can pose a risk to the sustainability of a company.

### ESG Investment

ESG Investment is an ESG-based investment trend that considers the performance of Environment, Social, and Governance in investment decisions to minimize the risk of corporate sustainability. In line with the opinion expressed (Freeman et al., 2010) that ESG investment is part of corporate social responsibility and that companies must consider their impact on the environment and society in making investment decisions.

ESG Investment helps identify risks related to environmental, social, and corporate governancethat may affect the company's performance. In addition, ESG also helps identify business opportunities related to sustainability issues, such as energy efficiency, green technology innovation, and consumer demand for sustainable products and services.

### ESG (Environmental, Social, Governance)

Environment, social, and governance is a measurement concept that purpose is to measure the company's performance not disclosed in the financial statements or non-financial data (Tarmuji et al., 2016). In line with the opinion (A. Bassen and A. M. Kovacs, 2008) that the financial statements of companies do not have these capacities to inform both management and investors the value of the firm's reputation, quality, network equity, safety, the workplace culture, strategy, knowledge, and several other more crucial assets than ever before. ESG indicators thus have a broader scope or encompass non-financial data on environmental, social, and corporate governance practices that help evaluate a company's management ability and support risk management.

Investors believe that ESG assessment can help investors in estimating the company's growth and return or profit from the increase in ESG performance in line with the increase in its shareprice. In accordance with the results of research conducted by (Purnomo et al., 2024) that showsthat the value of ESG has a positive and significant influence on the increase in stock prices, but (Sudhana, 2023) emphasizes in his research that shows the results of the value of ESG in aparticular year, ESG has an impact, although not directly on the average share price in the following year. Based on these results, although the value of ESG has an influence on stock prices, in certain cases this influence can only be seen in the following years.

## Valuation

Stock valuation is a process of determining the intrinsic value or true value of a stock or a group of stocks. The purpose of stock valuation analysis or Valuation is intended to determine the fair value of of a stock and then compare it with the stock price listed in the current market (Tandelilin, 2010). Surjanto & Sugiharto (2021) adds that stock valuation analysis or valuation is used and important to determine the position of a stock price which is classified as undervalued or overvalued. A stock is said to be overvalued if its market price is considered more expensive than its fair value, while a stock is said to be undervalued if its market price is lower than its intrinsic value.

According to Gottwald (2012) the P/E ratio is still the most widely used valuation tool in the stock market. The P/E ratio provides a good basis of comparison between a company's valuation with similar companies in the industry or with the market. It helps investors understand whether a company's shares are valued higher or lower compared to its competitors. In addition to helping with valuation, the P/E ratio can also give an idea of the growth and expected movement of the company's share price in the future. in line with research conducted by Sari (2021) which shows the results that the P / E Ratio has a positive and significant effect on stock prices. Price Earnings ratio depends on the company's earnings growth, the higher P/E Ratio also represents the higher earnings growth expected by the investors.

## Earning

Earning can be said to be a description of the extent to which the company can generate income from optimizing the use of its assets (Brigham & Houston, 2013). Earning can provide an overview to investors about the company's capabilities and the company's financial condition, with this income or earnings information investors can measure or project the profit or return generated from the company.

As well as Risma Mursalim, (2017) adds that one indicator to assess the level of income or earnings of a company can be seen from the amount of Dividend per Share of the company. dividend per share can show the actual amount of dividend distributed per share and the shareholder is entitled to the dividend as the value of the share corresponds to the present value of the dividend payment stream. In addition to capital gains, the amount of dividend per share is one of the expected returns for investors, companies that regularly distribute dividends are considered to have financial stability and health. In line with the results of research conducted by Lilianti (2018) that there is a positive and significant influence between the relationship between DPS and stock prices. These results indicate that the amount of dividend is one of the returns expected by investors and companies that distribute dividends create a good perception in investors and the potential for an increase in stock prices in the future.

### Stock Price

According to Risma Mursalim (2017) The share price is the value or price that occurs on the trading exchange because of buying and selling a share determined by the issuer and underwriter. Stock prices on the trading market move in line with the laws of demand and supply in the market as well as other factors such as company fundamentals related to company performance, macroeconomics related to market conditions, and other factors. Stock prices are closely related to book value or intrinsic value. Angga Bayu Saputra (2011) explains that intrinsic value is the true value of the company and is the basis for investor decision making by comparing this value with the value in the market.

Previous studies, Sudhana (2023), used simple regression models without considering variable interactions. This study complements these shortcomings by including financial performance variables in addition to non-financial ESG factors and using the latest ESG data from Sustainalytics that covers companies with more industry sectors. In this way, this study makes a more in-depth and up-to-date contribution to the understanding ofthe effect of ESG investing on stock prices.

Based on the literature and gap research statement, the researcher concludes why the problemrelated to the influence of ESG investing has not been answered because, previous studies havefocused on testing ESG separately, and focused on the results on the company, while the problem that the researcher raises today also wants to see the influence of ESG from the investor's point of view.

## METHOD

### Research Model

Based on secondary data, this research was used to observe and analyze the object of research, which consists of independent and dependent variables. The independent variables are ESG Score, Valuation proxied by P/E Ratio, Earning proxied by Dividend Per Share, and the dependent variable is Stock Price proxied by Closing Stock Price. The subjects used in this study are companies that have received an ESG score assessment from Morningstar Sustainalytics listed on the Indonesia Stock Exchange in 2024 which are analyzed using IBM

Statistic SPSS. The research model can be represented as Figure1.

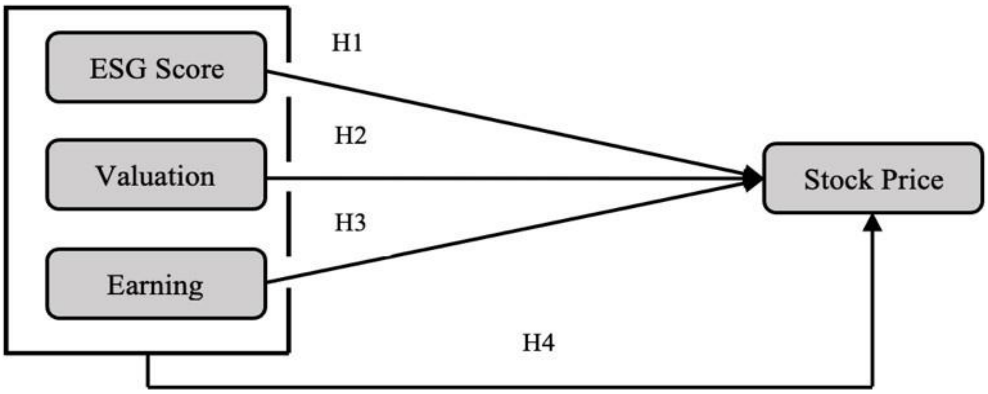


Figure 1. Conceptual Framework

According to the explanation of the literature review above, the authors formulate the research hypotheses as shown in figure1. The hypotheses are:

$H_1$: ESG has an influence on stock prices
$H_2$: Valuation has an influence on stock prices
$H_3$: Earning has an influence on stock prices
$H_4$: ESG, valuation, and earning have a simultaneous influence on stock prices

## Variable Operationalization

The independent variables in this study are ESG score, valuation, and earnings on the dependent variable stock price. The definition and operationalization of the variables are presented in Table 1.

**Table 1. Variable Operationalization**

| Variable | Definition | Indicator |
|---|---|---|
| ESG Score | The ESG Score describes a company's performance and responsibility in terms of sustainability in which there are environmental dimension assesses a company's impact on nature, social dimension focus on employee well-being, human rights, and diversity, and governance dimension measures the quality of company management, these three dimensions together provide a comprehensive picture of the extent to which companies are operating responsibly and sustainably | Morningstar Sustainalytics ESG Score |
| Valuation | Assists in determining the fair value or intrinsic value of a company's shares in the capital market to determine whether a stock is overvalued or undervalued | $\text{P/E Ratio} = \frac{\text{Market value pershare}}{\text{Earning per share}}$ |
| Earning | Measures the estimated return or profit of the company paid to shareholders in the form of dividends for each share owned | $\text{DPS} = \frac{\text{Total deviden}}{\text{Share outstanding}}$ |
| Stock Price | Reflects the market's perception of the value of a company, which in an increase of share price usually indicates investor confidence in the company's growth prospects and performance, otherwise the share price can reflect concerns or uncertainties about the future of the company | Stock Price (Close) |

**Sample and Population**

This study uses a sample of 75 companies that have received an ESG assessment from Sustainalytics in 2024. This sample size was chosen based on the following considerations:

1. Data availability. Sustainalytics provides ESG assessment data for several companies, and sample of 75 companies was selected to ensure adequate availability of data relevant to the topic of this research. By using companies that have already been assessed, this researchcan leverage standardized and reliable data for analysis.
2. Relevance and representativeness. While this sample size may not be large when compared to a broader study, the 75 companies selected cover a diverse range of sectors and company sizes. This allows the study to capture variations in ESG practices and their impact on share prices in relevant markets.
3. Appropriateness to methodology. This sample size is appropriate for the analytical methodology used in this study, which is multiple regression analysis. Based on the guidelines from Kurtulus (2020), this sample size is sufficient to ensure the accuracy and robustness of the analysis conducted, and to obtain stable and reliable estimates.

**Analysis Method**

The statistical analysis hypothesis testing is based on multiple linear regression. and Standard Assumptions for Linear Models test to determine whether the data is feasible and accurate, to determine the effect of the independent variable on the dependent variable at a significant level of 5% ($\alpha = 0.05$). The linear multiple regression model that is used is as follows:
Multiple linear regression analysis model as equation (1).

$$Y = \beta_0+\beta_1 x_1 + \beta_2 x_2 + \beta_{\$} x_{\$} + e \quad (1)$$

Description:

| | |
|---|---|
| $Y$ | = The predicted value of dependent variables |
| $\beta_0$ | = Constanta |
| $\beta_1, \beta_2, \beta_{\$}$ | = Regression coefficient of each independent variable |
| $x_1, x_2, x_{\$}$ | = Independent variable |
| $e$ | = *error term* |

## RESULT AND DISCUSSION

Descriptive statistics of the research sample are presented in Table 2.

**Table 2. Descriptive Statistic**

| Variable | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|
| ESG | 9.26 | 53.10 | 28.26 | 9.975 |
| PER | 2.87 | 568.86 | 34.28 | 85.79 |
| DPS | 0.01 | 4407 | 183.54 | 579.84 |
| SP | 64.00 | 26625 | 3213.82 | 4834.73 |

In Table 2, the output of data processing results of descriptive statistical analysis using ESG scores, P/E ratios proxied by valuation, dividends per share proxied by earnings, and stock prices as dependent variables. Based on Table 2, it is known that the ESG score has an average value (mean) of 28.26, which indicates that the average company has an ESG risk in the moderate category which is considered to have moderate ESG risk. PER which has an average value (mean) of 34.28 indicates that the average company has a P/E ratio of 34.28x assuming the average company has a price of 34.28 times its net income per share. DPS which has an average value (mean) of 183.54 indicates that the average company has a dividend per share of Rp183.54 per share.

Test for multicollinearity based on the tolerance value and its opposite, or variance inflation factor (VIF). A commonly used cutoff value indicating the presence of multicollinearity. Tolerance is a value ≤ 0.10 or the same as VIF ≥10. According to the results obtained from tolerance test, the VIF value for each variable ranges from 1.001 to 1.072 which is greater than 0.10, meaning that there is no multicollinearity. Thus, the other three variables used in this paper as part of the linear regression model, which are ESG score, valuation and earning, have passed the multicollinearity test.

A normality test is conducted to assess how closely the data follows a normal distribution. Significance of the independent variable on the dependent variable through t-test can only be tested if residuals are normally distributed. The normality test is performed using the Kolmogorov-Smirnov test. This test determines whether the residuals follow a normal distribution. Data is considered normally distributed if the Kolmogorov-Smirnov value is significantly higher than α (0.05) (Ghozali, 2006). When the significance level of the generated data is less than 0.05, this indicates that the dependent and independent variables have not been normally distributed. Conversely, is the significance of the generated data is higher than 0.05, this indicates that there is a normal distribution between the dependent and independent variables. Based on the results, the one-sample kolmogorov-smirnov test with a sample (N) of 75 produces a significant value of 0.200 with a probability of 0.082, which is much above α = 0.05. Thus, it can be concluded that the data meet the assumptions of the normality test.

An autocorrelation test assesses whether regression residuals are independent observed from one observation to another (Ariefianto, 2012). To determine autocorrelation, the Durbin-Watson (DW) test can be employed. The DW test uses a statistical value, denoted as d, which is compared against the bottom border (dL) and upper border (dU) of critical values. The d statistic ranges from 0 to 4. A value of 2.00 indicates no autocorrelation among residuals. When d is close to 0, it suggests positive autocorrelation, and when d approaches 4, it indicates negative autocorrelation (Ariefianto, 2012). The values for dL and dU depend on the number of variables and observations used in the study and can be obtained from Durbin-Watson statistical tables. The results of the autocorrelation test are presented in Tables 5 and are explained as follows. For the autocorrelation test, the DW value is 2.273>1.7092 and the DW value is 2.273<4-dU 2.291, it can be concluded that there are no autocorrelation symptoms.

Multiple linear regression models must also meet the assumption of homoscedasticity, if the assumption is not met then what happens is heteroscedasticity. Non-constant error variance causes the conclusions drawn to be invalid or biased.

So, the heteroscedasticity element contained in a regression must be overcome to achieve valid conclusions. Based on the output of the heteroskedasticities test results by using glejser test, results can be concluded that the data is exempt from heteroskedasticities because the significant value generated ESG amounted to 0.965, PER amounted to 0.315, and DPS amounted 0.149 on stockprice. According to results, none of the variables are under 0.05, so it can be assumed that thereare no symptoms of heteroscedasticity.

### Hypothesis Test

The author used three independent variables in this study, necessitating the use of multiple regression analysis to test the hypotheses. These frameworks are affected by changes in ESG score, P/E Ratio and DPS. The analysis was conducted with a significance level of 0.05 or 5%. The results of the hypothesis testing are presented in Table 3.

**Table 3. Multiple Regression Analysis**

| Model | Unstandardized | Coefficients | Stdr. Coef. | t | Sig. | Collinearity | Statistic |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| (Constant) | 4.122 | 0.996 | | 4.136 | 0.000 | | |
| ESG | 0.555 | 0.288 | 0.163 | 1.925 | 0.058 | 0.999 | 1.001 |
| PER | 0.249 | 0.102 | 0.214 | 2.443 | 0.017 | 0.934 | 1.071 |
| DPS | 0.265 | 0.033 | 0.702 | 8.033 | 0.000 | 0.933 | 1.072 |

The results of the regression analysis test with the form of the regression model on the dependent variable stock price are obtained as equation (2).

$$\text{Stock Price} = 4.122 + 0.555\text{ESG} + 0.249\text{PER} + 0.265\text{DPS} \quad (2)$$

The regression equation shows that there is a constant value of 4.122. It indicates that if the value of ESG, PER, and DPS variables is equal to zero or constantly, then the stock price hasa value of 4,122. The ESG variable has a coefficient of 0.555 which indicated that if the PER and DPS variables are considered as zero or constant, then each increase in ESG by 1 unit would increase ESG by 0.555. The coefficient is positive, which shows that the increase in ESG is in the same direction as the increase in stock price.

The PER variable has a coefficient of 0.249 which indicates that when the ESG and DPS variables are considered constant, each increase in the P/E Ratio by one unit will increase the stock price by 0.249. The coefficient is positive, which means that an increase in PER will also cause an increase in the stock price of 0.249. The DPS variable has a coefficient of 0.265 which indicates that when ESG and PER are considered constant, each increase in DPS by 1 unit will also increase the stock price by 0.265.the coefficient is positive, which means that the increase in DPS is in line with the increase stock price.

**t-Test and F-Test (simultaneous)**

The t-test essentially indicates the extent to which individual explanatory (independent) variables influence the dependent variable (Ghozali, 2006). According to Manurung (2011), the objective of the t-test is to determine whether the regression coefficient is significant. The test was performed to assess the impact of ESG, Valuation (measured by the P/E Ratio) and Earning (measured by the DPS) on dependent variables stock price. The analysis was conducted with a 5% significance level (α) and a 95% confidence level.

Based on Table 3, variable ESG score has a significance value of 0.058, indicating that $H_1$ is accepted, although the significance value of ESG score is not smaller than 0.050, it is known that ESG score still has a positive influence on stock prices. While the PER (valuation) variable has a significance value of 0.017, indicating that $H_2$ is accepted as the significant value of the PER variable has a value smaller than 0.05. It can be concluded that the PER variable significantly affects the stock price of the sample. Then, analysis of DPS (earning) has a significance value of 0.000, indicating that $H_3$ is accepted considering that the significant value of the DPS variable has a value lower than 0.05. It can be concluded that DPS has a significant effect on stock prices.

The F-test can be considered as ANOVA. The F-test statistically indicates whether all the independent variables included in the model collectively influence the dependent variable (Ghozali, 2006). Data passes the F-test if the significance value is less than 0.05, indicating a significant influence among the variables. Conversely, if the significance value is greater than 0.05, it means there is no significant influence among the variables. The F-test results are shows in Tables 4.

**Table 4. F-Test**

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 56.952 | 3 | 18.984 | 23.071 | $0.000^b$ |
| Residual | 58.423 | 71 | 0.823 | | |
| Total | 115.376 | 74 | | | |

The F-test is conducted in order to detect the effects of independent variables on the dependent variable used by the author. The independent variables are ESG score, valuation (PER), earning (DPS) and the dependent variable is stock price. According to the results in Table 4, the significance value is 0.000, which is smaller than α = 0.05. This indicates that there is a significant influence between ESG score, valuation (PER), and earning (DPS) on stock price, with a confidence level of 95%. Therefore, it can be concluded that the variables ESG, PER, and DPS significantly affect Stock price.

**Coefficients of Determination Regression Test**

According to Vidyanata et al. (2016), determination coefficient ($R^2$) serves to understand to what extent the independent variables can explain the dependent variable. If a coefficient of determination value is closer to 1, it indicates the stronger the influence of the independent variables on the dependent variable. On the other, if the value of the coefficient of determination is closer to zero, it indicates the weaker the impact of the independent variables on the dependent variable. The adjusted R² results are tabulated in Table 5.

**Table 5. Coefficients Determination**

| Model | R | R Square | Adjusted R Square | Std Error of the Estimate |
|---|---|---|---|---|
| 1 | $0.703^a$ | 0.494 | 0.472 | 0.90712 |

Table 5 shows an adjusted R-square ($R^2$) value of 0.494 This $R^2$ value means that 49,4% of thevariation in stock price can be explained by the three independent variables, ESG, valuation, and earning. The remaining 50.6% is explained by other variables.

Based on the previous discussion and analysis, it is known that the results show that ESG Scorehas a positive influence on stock prices, although the effect is not statistically significant. This is in line with stakeholder theory because ESG score reflects the company's efforts to meet the expectations and interests of stakeholders related to social and environmental responsibility. Companies that neglect ESG disclosures or that do not operate in accordance with moral values may face reputational risks and reduced support from society. Companies that are better at meeting ESG standards may gain more trust from investors and other stakeholders, which could ultimately have an impact on stock prices.

Although testing the valuation and earning variables focuses more on financial aspects, the results of testing the valuation and earning variables that have a significant effect on stock prices are also relevant to legitimacy theory because companies that are transparent in their financial statements and that provide consistent dividends can strengthen legitimacy and trust in the eyes of investors.

These results also complement previous studies, although the effect is not statistically significant. This is in line with Purnomo et al. (2024) research which also examines ESG as a factor affecting stock prices. The results or findings in this study can broaden the perspective regarding financial and non-financial factors that can affect stock prices and their effect if analyzed simultaneously.

This study aims to examine the influence of ESG score, valuation (P/E ratio), and earning (DPS) on the stock prices of companies listed on the Indonesia Stock Exchange. This study is important because it combines financial and non-financial (ESG) factors to understand the dynamics of stock prices in emerging markets, as well as providing a new perspective in the literature that previously tended to focus on one variable separately. By analyzing the simultaneous influence of these three variables, this study contributes to a more comprehensive understanding of the factors that influence stock prices.

The results show that valuation and earning have a significant influence on stock prices, while ESG score, although positive, does not show statistical significance. This is consistent with previous research that emphasizes the importance of financial indicators in determining stock prices, while the impact of ESG is more difficult to measure in the short term. For example, research by Purnomo et al. (2024) also found that the impact of ESG on stock prices tends to appear in the long term.

The managerial implications of this study indicate that companies need to continue to prioritize strong financial performance, especially in terms of valuation and dividend distribution, to attract investors. However, companies should also not neglect ESG, as although not statisticallysignificant in the short term, ESG can provide long-term benefits in terms of reputation and business sustainability. This study has some limitations, including a limited sample size and the use of cross-sectional data, which may affect internal and external validity. Future researchcan address these limitations by using longitudinal data and expanding the analysis to other sectors to understand ESG dynamics in more depth.

## CONCLUSION

Based on the results of the study, it can be concluded that ESG Score, Valuation (P/E Ratio), and Earning (Dividend per Share) have a significant influence on the stock prices of the sampled companies. Although ESG Score shows a positive influence on stock prices, its significance value does not reach the conventional limit, so its influence is considered statistically insignificant. On the other, Valuation and Earning are shown to have a significant influence, with Valuation having a positive and significant impact on share price, while earning shows a highly significant influence.

These findings emphasize that ESG factors, valuation, and earning are important elements indetermining stock prices, although the influence of ESG score is not as strong as expected. This underscores the importance of transparency and financial performance of companies in influencing stock prices and suggests that investors should consider various aspects in the evaluation of companies. This study also broadens the understanding of stock price dynamics by adding a new perspective in the analysis of factors affecting stock prices, complementing previous research, and making a valuable contribution to further studies in this area.

The movement of stock prices or capital gains is one of the returns expected by investors, so its movement is one of the things that needs to be analyzed. Based on the results which are alsoin line with the theory that has been discussed, the better the company is in carrying out ESG standards and principals, it will provide trust, certainty, and growth potential in the mandatingperiod which will ultimately increase the value of the company and the shareholders themselves, but it can also be concluded that the analysis in assessing companies is not sufficient only by analyzing their ESG performance, in line with the results of the study, there are other factors that also affect stock price movements.

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