



Environmental, Social, and Governance (ESG), Sustainable Growth Rate (SGR), and Firm Value On Stock Returns ESG Sector Leaders KEHATI and IDX80

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ABSTRACT

This research aims to analyze the relationship between ESG, SGR and company value factors on stock performance in the ESG Leaders KEHATI and IDX80 sectors. This research uses associative research methods. Using a sample of 51 companies registered in the KEHATI ESG Index major evaluation for the period June to November 2023, and the IDX80 major evaluation for the period August 2023 to January 2024. Test results on the ESG variable show that this variable has a significant effect on company performance, has a positive effect on returns share. Testing the SGR and PBV variables shows that these variables do not have a significant effect on stock returns. Thus, the research results show the importance of sustainable and responsible business practices in achieving financial success for companies in the ESG Leaders KEHATI and IDX80 sectors. Researchers recommend that companies be more transparent in reporting ESG performance in order to attract investor interest and build a strong reputation. So by conducting research on the relationship between ESG factors, SGR, and company value on stock performance, this research will provide valuable insight for companies in the ESG Leaders KEHATI and IDX80 sectors in developing sustainable business strategies and increasing market value.

Keywords: Environmental, Social and Governance (ESG), Sustainable Growth Rate, Firm Value, Return Saham

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INTRODUCTION

Increasing environmental problems and their increasingly tangible impacts are among the issues we face in this modern era. Indonesia faces various environmental challenges such as deforestation, water pollution, air pollution, and extreme global warming. This is caused by the increasing amount of CO₂ carbon emissions in the atmosphere. This problem is quite serious because it will result in ongoing risks and pose a threat to all living things. According to data from the European Commission, Indonesia's greenhouse gas emissions volume in 2022 reached 1.24 gigatons of carbon dioxide (Gt CO₂e), about 2.3% of total global greenhouse gas emissions. Indonesia's CO₂ gas emissions increased by 10% in 2022, becoming the latest record high (Kumar, Chen, Del, & El-kassar, 2019).

In dealing with this problem, various efforts have been made by the government to overcome and reduce the amount of CO₂ produced by companies in Indonesia. One of them is the Indonesian government began to establish regulations that require companies to start practicing Environmental, Social, and Governance (ESG) and make sustainability reports. ESG is a concept that prioritizes sustainable development, investment or business activities by applying three factors or three main criteria, namely environmental, social and governance (Wicaksono & Muchtar, 2024). With ESG, companies are able to reach new markets and expand existing markets. The application of ESG aspects in foreign markets can provide positive results for companies in expanding their business markets. For this reason, it can be used as a consideration for companies to increase profitability in running their business.

This is also in accordance with Indonesia's commitment to reduce Greenhouse Gas (GHG) emissions in 2030 by 29% with its own efforts, and up to 41% (Cabinet Secretariat of the Republic of In-

donesia, 2016).

Currently, the practice of ESG principles can be seen in The Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. Due to the incessant practice of ESG, it has also become a trend in investing among investors in recent years, especially foreign investors, this is referred to as green investment (Zhou, Liu, & Luo, 2022). Green investment is an investment that focuses on environmental, social, and good governance aspects. The goal is to maintain the sustainability of the economy and life on earth.

The popularity of green investment is also the effect of increasing investor attention to environmental issues, this factor is also thought to be one of the factors of investor decisions in investing capital (Apri & Safitri, 2019). This encourages the presence of investment products or instruments related to the environment. In December 2020 the Indonesia Stock Exchange (IDX) officially published the IDX KEHATI ESG Sector Leader Index or ESGSKEHATI index, which is an index containing stocks that apply ESG principles, and have good liquidity (Saap, Pusparini, & Amanati, 2023).

Liquidity is also something that investors or shareholders pay attention to. Because if the company is liquid, the company is able to fulfill its obligations to pay current obligations in a short time (Kopnina, Ruopiao, Anthony, Hassan, & Maroun, 2024). So this allows investors to get a high return if the company's liquidity is high. The higher the liquidity of the company, the better the short-term performance of the company, this can increase investor confidence in the company (Lazăr, Ciocoiu, & Prioteasa, 2022).

Liquidity is a company asset that is easy to convert into cash, this convenience makes investors look to invest in compa-

nies with a high level of liquidity (Markonah, Salim, & Franciska, 2020). Because if in a condition where investors need funds quickly, stocks with high liquidity can be sold more quickly. In other words, liquidity shows how quickly an asset can be bought or sold in the capital market at a price that reflects its intrinsic value.

The IDX also published the IDX80 index published in February 2019, which is an index that has high liquidity, whose share price has been measured with the support of company fundamentals. In this study, two ESG Sector Leader indices IDX KEHATI and IDX80 will be used because there are similarities in several issuers listed on both indices. This shows that companies that implement ESG also have good liquidity.

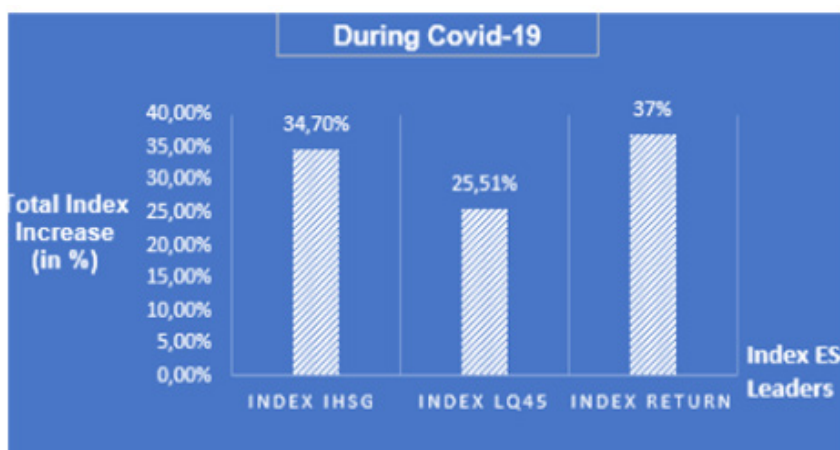
Although not yet implemented in all sectors in Indonesia, the presence of the SRI- KEHATI Index is able to compete among other indices listed on the IDX. According to data provided on the IDX website, the SRI-KEHATI Index was able to outperform the JCI and LQ45 Indices in terms of return (Syaputra & Rahadi, 2022). Between December 30, 2009 and December 30, 20119, the SRI-KEHATI index generated a return of 173.66%, higher than the JCI.

The development of the ESG Leaders Index is higher than the IHSG and LQ45, as can be seen in the percentage numbers in the figure 1.

The image above is data that we can see on the BEI website, which shows that the ESG Leaders index during the Covid-19 period was able to produce returns as large as the data presented in the diagram above. The ESG Index looks higher than other Indices. Based on the figure above, it is explained that Index IHSD is variable (X), Index LQ45 is variable (X), and Index ESG Leaders as variable (Y).

The KEHATI ESG Sector Leaders Index has a higher return than several other indices and this makes the author interested in making this index the object of research along with the IDX80 index, an index that has high liquidity to measure stock returns on companies listed on both indices (Sulfa & Shauki, 2023).

In carrying out stock investment, stock return is one of the most important factors for investors to decide to invest. Stock return is the rate of return or profit from stock investment activities (Firms & Akhmadi, 2021). Profits in this stock investment can be in the form of capital gains and capital losses. Capital gain is an increase in capital due to an increase in



Source: IDX website

Figure 1.
Diagram Index ESG Leaders

stock price, which is when investors benefit from the price of shares sold higher than when the purchase price (Murwaningsari, 2023). Meanwhile, capital loss is a loss experienced by investors when the selling price is lower than the purchase price of the shares (Nabila, Nuzul, & Syahira, 2023).

Stock returns are also considered as a factor in the ability of a company to run its business so as to increase investor confidence to invest, in that case the company must pay attention to factors that can affect stock returns. In addition to stock returns, companies must also pay attention to other factors that make investor decisions. Among them are the application of Environmental, Social, Governance (ESG), Sustainable Growth Rate (SGR), and the influence of firm value (Purwanti & Muafiqie, 2023). Companies can consider SGR and ESG factors in planning long-term growth, as well as optimizing the company's corporate value to increase stock returns.

In this study, an approach is taken with the application of ESG to determine its effect on stock returns. This ESG measurement will be carried out by giving an assessment according to the 2021 GRI standard indicators, which total 117 points. The Global Reporting Initiative (GRI) provides a framework to support environmental, economic, and social reporting, and is an initial guideline for businesses to launch ESG programs. GRI Standard 2021 is a globally recognized reference for report preparation (Xaviera & Rahman, 2023).

The 2021 GRI standard is a modular system consisting of three things that are put forward, namely revising the previous universal standard, featuring new standard sectors, and more adaptive standard topics (Hasnan et al., 2023). Poor ESG management by companies can negatively impact financial and market performance, as well as sustainable growth. As a result, non-financial reporting is necessary to strengthen sustainable companies (Lut-

fiani & Hidayah, 2022)

In practicing the ESG principle of sustainable development, the company cannot be separated from the Sustainable Growth Rate (SGR) (Ramadhan, Resca, Diana, & Qamar, 2023). Sustainability is a topic of discussion that is often discussed lately. This began to occur due to the rampant negative impacts that arise due to environmental problems that are feared to cause fatal impacts throughout the world. This is a trend that develops every year, causing companies to indirectly get involved in order to gain the trust of investors. We can interpret SGR as the ability to provide balance and sustainable expansion and also not only help in survival but can also maintain competitiveness between one company and another in the industry. The Sustainable Growth Rate has a good contribution in helping management and investors based on current performance and policies to measure future growth plans (Ariesa & Hulu, 2023).

SGR is important information related to the company's future sales growth ability, so the company should continue to maintain the value of SGR. Moreover, the information provided by SGR can affect investor response through an increase or decrease in stock prices (Febriani et al., 2022). SGR is an urgent global challenge in the business world. This is due to a change in focus from economic growth to sustainability. In a dynamic era, only focusing on growth will not maximize the resources owned (Vlaviorine & Widianingsih, 2023).

Research conducted by Sulfa and Shauki (2023) with the research title "Motivation Analysis of ESG Rating Institutions (Kehati Foundation) in the ESG Index Formulation Process: Institutional Logics" has the same research objective as the author, namely assessing stock performance in the KEHATI ESG Leader sector in developing sustainable business strategy. However, the research conducted by the

author focused on the Kehati Foundation which is a Non-government Organization (NGO). The results of this research state that the practice of decoupling in the process of preparing the ESG Conservation Index results in differences in ESG rating results with other ESG rating institutions. The implementation of the ESG Scoring Index is carried out using competing logics, such as market logic (routine), self-regulatory logic (SOP ESG Index Scoring Kehati), and professional logic (actors) are things that need to be improved in developing business strategies. Meanwhile, the results of research conducted by the author state that the ESG variable shows that this variable has a significant influence on company performance, has a positive influence on stock returns, and reveals the importance of sustainable and responsible business practices in achieving financial success for companies in the ESG Leaders KEHATI and IDX80 sectors. Transparency, ESG performance reporting and company value play an important role in developing sustainable businesses.

From the description with the existing phenomenon, the authors are interested in conducting research on stock returns by taking into account the factors of ESG implementation in the company, SGR and firm value with the object of companies listed on the ESG Sector Leader KEHATI and IDX80 indices.

The results state that there is a significant influence or positive effect of Environmental, social, governance (ESG) on stock returns in the Leaders KEHATI and IDX80 sectors, but the effect of Sustainable Growth (SGR) on stock returns shows a negative relationship. Based on the results that have been summarized, it shows the importance of sustainable and responsible business practices in achieving financial success in the KEHATI Leaders and IDX80 sectors. These results are in line with research conducted by (Zhou et al., 2022) which shows that the ESG

performance of firms provides a stronger mediating effect on the operating capacity of firms and (ESG) of listed firms has attracted widespread attention.

METHODOLOGY

The objects in this study are Sector Leaders Kehati and IDX80. The Kehati Index focuses on companies that have business practices that support environmental sustainability and sustainability. If the research is related to sustainable investment or ESG (Environmental, Social, and Governance), then this index is relevant because it reflects the performance of companies that care about environmental and social impacts. The use of the Kehati index can provide perspective on the returns of companies that are considered environmentally friendly and socially responsible, then IDX80 includes 80 stocks with high liquidity and market capitalization on the Indonesia Stock Exchange. This sample was chosen because it represents the most actively traded and fairly stable stocks. Thus, using IDX80 as a sample can provide relevant research results to see broad market performance and liquid market conditions.

The type of data used in this study is secondary data with panel data type. panel data is a combination of time series data and cross section data. Time series data is data from one object with several specific time periods, while cross section data is data obtained from one or more research objects in the same period. The data sources in this study were obtained from data listed on the IDX website. The data used are Environmental, Social, and Governance (ESG), Sustainable Growth Rate (SGR) and Firm Value on ESG Leaders Kehati and IDX80 stock returns. This research uses regression analysis tools.

$$Y_i = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e_i$$

where Y is Kehati and IDX80 Stock Returns, a is constanta, X1 is environmental,

social and governance, X2 is sustainable growth Rate, X3 is firm value, e is error term and β_1, \dots, β_3 is Independent parameter.

The F statistical test is used to determine whether the independent variables contained in the regression equation simultaneously or together have an influence on the dependent variable. If the significance value is smaller or less than 0.05 and $F_{count} > F_{table}$, then H_0 is rejected and H_1 is accepted. This means that the independent variable simultaneously affects the dependent variable. If the significance value is greater than 0.05 and $F_{count} < F_{table}$, then H_0 is accepted and H_1 is rejected. This means that the independent variables do not simultaneously affect the dependent variable.

R square is also an important measure in regression, because it can inform whether the estimated regression model is good or not. Or in other words, it can measure how close the estimated regression line is to the real data. This test is used to see the level of significance of each independent variable whether it has an influence on the dependent variable. If the significance value is smaller or less than (α) 0.05 and $t_{count} > t_{table}$, then H_0 is rejected and H_1 is accepted. This means that partially the independent variable has a significant effect on the dependent variable. If the significance value is greater than 0.05 and $t_{count} < t_{table}$, then H_0 is accepted and H_1 is rejected. This means that partially the independent variable has no significant effect on the dependent variable.

The conditions that must be met for a regression model to produce a BLUE (Best Linear Unbiased Estimator) estimate, in accordance with the Gauss-Markov Theorem). The regression model must be linear in parameters. This means that the relationship between the independent variable (X) and the dependent variable

(Y) must be able to be explained through a linear equation. This does not mean that the relationship between X and Y must be a straight line, but the model must be linear in the regression coefficients. The expected or average value of the error term must be equal to zero. The variance of the error terms should be constant for all values of X. This is called homoscedasticity. If the variance of the error terms changes as the values of X change, then heteroscedasticity occurs, which can lead to inefficient estimation. Error terms should not be correlated with each other. That is, the value of the error term in one observation should not be influenced by the error term in another observation. If there is autocorrelation, the regression results will be inefficient. In multiple linear regression, the independent variables should not be perfectly correlated with each other. If there is perfect multicollinearity, then the model will not be able to estimate the regression coefficients uniquely. Error terms should be normally distributed, especially if the purpose of the model is to perform statistical inference, such as a t-test or an F-test. The normality assumption is important to ensure the validity of hypothesis testing. The independent variables (X) should not be correlated with the error terms (ϵ). If there is a correlation between X and ϵ , then simultaneity bias occurs, and the regression coefficient estimates are no longer unbiased (Tiara & Hendarto, 2023).

Multicollinearity, heteroscedasticity, and autocorrelation are three common problems that can arise in linear regression, especially in econometric models. Each relates to the classical assumptions of regression being violated and affecting the validity of the estimation results. Multicollinearity occurs when there is a very high linear relationship (linearity) between two or more independent variables (predictors) in a regression model. Heteroscedasticity occurs when the variance of the error term (residual) is not constant or varies

across observations. In regression, one of the important assumptions is homoscedasticity, which is that the variance of the residuals must be the same across all values of the independent variable. Autocorrelation (or serial correlation) occurs when the residuals (error terms) on one observation are correlated with the residuals on another observation. This often occurs in time series data, where the prediction error in one time period may be related to the error in the previous time period (Nabila et al., 2023).

RESULTS AND DISCUSSION

The analytical method used by this research is the descriptive analysis method. We can understand that descriptive analysis is a method that can describe, show and summarize data very constructively, thereby helping to understand the details of the data. The descriptive method

used in this research is the correlational method, namely a method that describes the relationship or influence between variables. Descriptive statistical results in this study.

In table 1, it can be seen that X1, X2 against Y obtained a value of Sign. 0.200 is greater than 0.05 so it can be concluded that the data tested is normally distributed. Furthermore, it will be compared with the normality test, in this test using the provisions that $L_{hitung} < L_{tabel}$ then H_a is accepted and vice versa if $L_{hitung} > L_{tabel}$ then H_a is rejected. So, the results are as follows:

Kolmogorov Smirnov One Sample can be used to test data normality, provided that if it has a significance value of more than 5%, the data is declared normally distributed. However, if the significance value is less than 5%, the regression model is declared not normally distributed.

Table 1.
Figure 1. Economic Growth in Indonesia 1986-2022

		Unstandardized Residual	
N		51	
Normal Parameters ^{a,b}	Mean	.0000000	
	Std. Deviation	.27685367	
Most Extreme Differences	Absolute	.065	
	Positive	.065	
	Negative	-.060	
Test Statistic		.065	
Asymp. Sig. (2-tailed) ^c		.200 ^d	
Monte Carlo Sig. (2-tailed) ^e	Sig.	.853	
	99% Confidence Interval	Lower Bound	.844
		Upper Bound	.862

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 1314643744.

Based on the results of the normality test, it states that it has a significance value of 0.200 and is greater than the stipulated provisions of 5%. The conclusion obtained is that in this study the data is normally distributed.

The correlation between independent variables in the regression model can be seen by comparing the VIF and tolerance values to determine the presence or absence of multicollinearity. Variables are declared not to have multicollinearity symptoms when the test results of tolerance values > 0.100 and VIF values < 10.00 (Ghozali, 2016).

Based on table 3, the multicollinearity test results show that ESG has a tolerance value of 0.898 with a VIF value of 1.113, SGR has a tolerance value of 0.919 with a VIF value of 1.089, and PBV has a tolerance value of 0.976 with a VIF value of 1.025. So the conclusion is that each variable has a tolerance value of more than 0.100 and a VIF value of less than 10.00, which means that all variables indicate that they pass the multicollinearity test.

The autocorrelation test is conducted to test whether in the linear regression model there is a correlation between confounding errors in period t and confounding errors in period t-1 (previous). In this study, the autocorrelation test was carried

out using Durbin Watson. The regression model passes the test when it has a Durbin Watson value between the dU and 4-dU values. The Durbin Watson test results are as follows table 4.

The findings of the autocorrelation test shown in the table above that the Durbin- Watson value is 2.102. The DW value is less than 4-dU which is 2.3246 and greater than dU which is 1.6754. This calculation shows that the research model passes the autocorrelation test.

Heteroscedasticity test can be used to predict the difference in residual variance between one observation and another. One method used to test heteroscedasticity is the Breusch-Pagan-Godfrey test. If the regression model shows a sig value > 0.05, it means that there are no symptoms of heteroscedasticity, and if the sig value < 0.05, it means that there are symptoms of heteroscedasticity (Fadli, 2021).

Based on the table 5 above regarding the results of the heteroscedasticity test with Breusch-Pagan-Godfrey, it is known that each variable has a significance value of more than 0.05 so it can be concluded that all variables pass the heteroscedasticity test.

The linearity test is used to determine the linear relationship that occurs between the dependent and independent

Table 2.
Normality Test Results

Terms	Kolmogorov Smirnov value
> 0,05	0,200

Source: Primary Data Processing Results

Table 4.
Autocorrelation Test Results

DW	dL	dU	4-dU
2,102	1,4273	1,6754	2,3246

Source: Primary Data Processing Results

Table 3.
Multicollinearity Test Results

Variables	Tolerance	VIF	Description
ESG	0,898	1,113	No multicollinearity
SGR	0,919	1,089	No multicollinearity
PBV	0,976	1,025	No multicollinearity

Source: Primary Data Processing Results

variables. A proper correlation is when the dependent and independent variables have a linear relationship. The decision in the linearity test is taken based on the calculated c2 value ($n \times R^2$) > table, then the hypothesis that states linear is rejected and vice versa. The results of the linearity test can be seen in the following table 6.

From Table 5 below shows the value of R2 of 0.262 with an observation value of 51, then the value of c2 count = $51 \times 0,262 = 13,362$. This value is compared with the c2 table with df = 51 and a significance level of 0.05, the c2 table value is 68.669. Because c2 calculated is smaller than c2 table, it can be concluded that the independent variable has a linear relationship with the dependent variable.

The following is a summary of the results of multiple regression analysis in table 7.

From the regression analysis results, it can be seen that the multiple regression equation is as follows:

$$Y = -0.535 + 0.852X_1 - 0.062X_2 + 0.007X_3$$

The correlation used to test the relationship of two or more independent variables with one dependent variable simultaneously. The following are the results of the multiple correlation test.

The result of the multiple correlation test shown by the R value in this study is 0.512. Based on this data, it can be concluded that the ESG, SGR and PBV variables together have a relationship with a moderate level on stock returns.

The result of the coefficient of determination test shown by the R value2 in this study is 0.262. Based on this data, it can be concluded that the stock return variable is jointly influenced by the ESG,

Table 5.
Breusch-Pagan-Godfrey Test Results

Variables	Significance	Terms	Description
ESG	0,493	> 0,05	No Heteroscedasticity
SGR	0,636	> 0,05	No Heteroscedasticity
PBV	0,538	> 0,05	No Heteroscedasticity

Source: Primary Data Processing Results

Table 6.
Linearity Test Results

Model	R	R Square	Adusted R Ssquare	Std. Error of the Estimate
1	.512 ^a	.262	.215	.285553

Source: Primary Data Processing Results

Table 7.
Multiple Regression Analysis Results

Variables	B	Std. Error	T	Sig.
(Constant)	-0,535	0,175	-3,051	0,004
ESG	0,852	0,258	3,303	0,002
SGR	-0,062	0,021	-2,969	0,005
PBV	0,007	0,005	1,654	0,105

Source: Primary Data Processing Results

SGR and PBV variables by 26.2%, while the remaining 73.8% is influenced by other variables not included in this study.

The test results obtained the calculated F value of 5.570 with a significance of 0.002. Based on the results of this data where the significance value is smaller than 0.05, it can be concluded that there is an influence of ESG, SGR and PBV together on stock returns.

Partial test or t test generally serves to observe the effect of an individual independent variable on the dependent variable partially or individually. How to see the partial effect by comparing t count with t table, for the basis of decision making, namely $t_{count} > t_{table}$ and has a sig value < 0.05 indicates that there is a partial effect and the hypothesis is accepted (Ghozali, 2016). The results of the test are as follows table 11.

The test results show that the ESG variable has a significant positive effect on stock returns, indicated by a t-count value greater than the t-table and a significance value smaller than 0.05. On the other hand, the SGR variable has a significant negative effect on stock returns, with a t-count value greater than the t-table and a signifi-

cance value smaller than 0.05. However, the PBV variable does not have a significant effect on stock returns, because the t-count value is smaller than the t-table and the significance value is greater than 0.05.

According to Novarianti (2020), ESG is a company standard in investment practices consisting of three concepts or criteria, namely environmental, social, and corporate governance. By implementing ESG in operational activities, companies can attract investors to invest. This is because investors believe that there is a reciprocal relationship between the investment portfolio and the environment and social.

The results of linear regression testing show that the effect of environmental, social, and governance (ESG) on stock returns has a t value of 3.303, which is greater than the t table value of 2.012 while the Sig value of 0.002 is smaller than 0.05, so it can be understood that ESG has a significant effect on stock returns, so H_0 is rejected and H_a is accepted. This finding is consistent with stakeholder theory which states that companies should provide benefits to all stakeholders, including stakeholders other than shareholders, by implementing ESG-based business practices.

Table 8.
Multiple Correlation Test Results

Independent Var.	R	R Square	Relationship
ESG			
SGR	0,512	0,262	Medium
PBV			

Source: Primary Data Processing Results

Table 9.
Coefficient of Determination

Independent Var.	R Square	Adjusted R Square
ESG		
SGR	0,262	0,215
PBV		

Source: Primary Data Processing Results

This may be due to the lack of widespread adoption of ESG business practices and disclosures by mining sector companies listed on the Indonesia Stock Exchange. The results showed that there is a significant influence between Environmental, Social, Governance (ESG) and stock returns in the ESG Leaders KEHATI and IDX80 sectors.

This finding indicates that sustainable and responsible business practices in terms of environmental, social, and corporate governance provide financial added value for companies in the sector. Companies that implement strong ESG practices can attract investors, build a stronger reputation, and generate higher stock returns. In addition, these results reflect the growth of the ESG sector as a whole, with more investors paying attention to ESG factors in making investment decisions. Long-term sustainability is also in focus, where ESG practices that are well integrated into business strategies can create long-term value for shareholders and other stakeholders. This analysis provides an understanding of

the importance of ESG practices in achieving financial success and sustainable market value for companies in the ESG Leaders KEHATI and IDX80 sectors.

This result is in line with previous research conducted by Tryono (2018), which found that environmental performance and social performance have no significant effect on stock returns. Whereas, this result has similarities with the research of Albuquerque et al. (2020), which shows that stocks with higher environmental, social (ES) ratings have significantly higher returns, as well as research by Melisa & Putra (2020), which found that social disclosure has a significant positive effect on stock prices.

Statistical analysis reveals that the t-count value of SGR is -2.969, which exceeds the critical t-table value (2.012). Moreover, the value is negative, indicating a negative influence between SGR and stock returns. In addition, the significance value (Sig.) is 0.002, which is smaller than the commonly used significance level (0.05). Thus, it can be concluded that

Table 10.
Simultaneous F Test Results

Independent Var.	F table	F count	Significance
ESG			
SGR	2,47	5,570	0,002
PBV			

Source : Primary Data Processing Results

Table 11.
Partial T Test Results

Variables	T Count	T table	Sig.	Description
ESG	3,303	2,012	0,002	Positively affected
SGR	-2,969	2,012	0,005	Negatively affected
PBV	1,654	2,012	0,105	No effect

Source : Primary Data Processing Results

SGR significantly negatively affects stock returns in the ESG Leaders KEHATI and IDX80 sectors. This finding indicates that higher growth in terms of sustainability and sustainable growth has not contributed positively to stock performance. The implication is that companies in the ESG sector need to consider other factors that may affect their stock performance, and investors need to look beyond SGR in evaluating potential stock returns in this sector. Nonetheless, it is important to remember that this analysis is based on specific research and other factors such as company size, industry, or other characteristics may also play an important role in the relationship between SGR and stock returns in the ESG Leaders KEHATI and IDX80 sectors.

Based on the research results, there is evidence that sustainable growth rate (SGR) has a significant negative effect on stock returns. This result indicates that the market responds negatively to companies with high SGR through a decrease in stock price. This is because companies with high SGR tend to distribute fewer dividends, which are less favored by investors.

The Effect of Company Value on Stock Returns of ESG Sector Leaders KEHATI and IDX80

Based on the test results, the Price-to-Book Value (PBV) variable has a t-count value of 1.654, which is smaller than the critical t-table value (2.012). In addition, the significance value (Sig.) obtained is 0.105, which is greater than the commonly used significance level (0.05). From these results, it can be concluded that PBV does not have a significant influence on stock returns in this study. This means that in the context of this study, the relationship between PBV and stock returns cannot be considered a statistically significant relationship. This finding suggests that other factors may have a more dominant role in influencing stock performance in the sector under study. However, it should be

kept in mind that these results depend on the context of the study and the variables analyzed. For future research, it may be necessary to involve other factors or different analysis methods to get a more comprehensive picture of the effect of PBV on stock returns in the same sector.

The effect of firm value on stock returns in the ESG Leaders KEHATI and IDX80 sectors is an interesting topic to analyze. Firm value reflects the market's evaluation of the company's fundamentals and is an important indicator in making investment decisions. However, the effect of firm value on stock returns can be influenced by various complex factors. In general, if the company value is high, it can be interpreted that the market has a positive perception of the company (Siregar and Safiti, 2019). High firm value can reflect strong financial performance, promising growth prospects, good reputation, and effective sustainability practices. In the context of the ESG Leaders KEHATI and IDX80 sectors, companies that apply sustainability principles and have good environmental, social and governance (ESG) performance can attract investors who care about sustainable factors.

However, it is important to remember that the effect of firm value on stock returns cannot be viewed as a single determining factor. External factors such as overall market conditions, industry cycles, and macroeconomic factors can also play a role in determining stock performance. In addition, investor sentiment, company news, and special events such as regulatory changes or environmental events can also affect stock returns. Methods of measuring enterprise value can also play a significant role in this analysis. Some common metrics used to measure enterprise value include Price-to-Earnings (P/E) ratio, Price-to-Book (P/B) ratio, and other metrics. Each metric has its own way of assessing company fundamentals and can provide a different view of company value.

CONCLUSIONS

There is a significant influence between Environmental, Social, Governance (ESG) on stock returns in the ESG Leaders KEHATI and IDX80 sectors. This shows that sustainable and responsible business practices in terms of environmental, social, and corporate governance can provide financial added value for companies in the sector. Companies that implement strong ESG practices can attract investors, build a stronger reputation, and generate higher stock returns.

Overall, the results of this study demonstrate the importance of sustainable and responsible business practices in achieving financial success and sustainable market value for companies in the ESG Leaders KEHATI and IDX80 sectors. However, the influence of other factors such as SGR and enterprise value metrics need to be considered in a more comprehensive analysis of stock performance.

Although OJK regulations govern the implementation of ESG, there is no law that mandates policies for implementing ESG in line with GRI for sustainability, considering the fact that the practice continues to develop in Indonesia. Since this influences the stock returns of the company, the government must create policies to ensure that sustainability and ESG are distributed equally throughout all Indonesian businesses, particularly those that are publicly traded. By creating a particular committee to supervise ESG practices and sustainability in Indonesia and set specifications, the government can create annual ESG reporting job responsibilities.

Due to the fact that not all businesses publish sustainability reports, this limits study. Furthermore, although reporting has been done, it has not been done in line with the GRI's factors, and the sustainability report still lacks many of the points that need to be completed or appended. It will be simpler to conduct additional research if an increasing number of busi-

nesses produce sustainability reports that follow to regulatory requirement.

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