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## The Influence of Environmental, Social, Governance (ESG) and Company Size on Stock Returns (Case Study of Mining Sector Companies Listed on the IDX 2016-2023 Period)

Dilfah Fadiah Dzul Karnaen<sup>1\*</sup>, Neni Maryani<sup>2</sup>

<sup>1,2</sup>Universitas Jenderal Achmad Yani, Cimahi, Indonesia

E-mail: <sup>1)</sup> [dilfahfadiah\\_21p086@ak.unjani.ac.id](mailto:dilfahfadiah_21p086@ak.unjani.ac.id), <sup>2)</sup> [neni.maryani@lecture.unjani.ac.id](mailto:neni.maryani@lecture.unjani.ac.id)

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\*Corresponding author:

Dilfah Fadiah Dzul Karnaen

[dilfahfadiah\\_21p086@ak.unjani.ac.id](mailto:dilfahfadiah_21p086@ak.unjani.ac.id)



### ABSTRACT

The variability in stock performance within the Indonesian mining industry provides a stimulus to investigate the determining factors, such as the disclosure of Environmental, Social, and Governance (ESG) information and the size of the company. The main aim of this study is to evaluate the influence of ESG factors and company size on the performance of stocks. The research adopts a quantitative approach with a focus on description. Information is collected from the annual and sustainability reports of specific companies. Purposive sampling method was employed to choose 7 companies in the mining industry that are listed on the Indonesia Stock Exchange from 2016 to 2023, resulting in a total of 52 data points. The outcomes of the regression analysis revealed that individual ESG factors and the size of the company did not have a significant impact on stock returns. Moreover, when taken into account collectively, ESG factors and company size also did not show any significant influence on stock returns. This investigation suggests that investors in the mining sector do not give much importance to these aspects while making investment choices.

Keywords: Company Size, Environmental Social and Governance (ESG) Disclosure, Mining Sector, Stock Return, Indonesia Stock Exchange

## 1. Introduction

In today's globalised world, businesses are facing increasingly fierce competition, making it essential for them to innovate and adapt in order to stay afloat and outperform their rivals. Companies can shape their strategies by wisely investing capital and allocating it effectively in the stock market (Aprilia, 2019). The stock market is a hub where members of the public and investors can trade shares. Businesses use the capital market to secure funding from potential investors. Shareholders buy stocks with the hope of earning dividends or making profits when stock prices rise in the future (Mangantar et al., 2020).

Returns on stocks act as a motivator for investors looking to put their money into the market. These returns represent the profit or rate of return gained from investments. Fluctuations in stock prices are primarily driven by the supply and demand dynamics within the capital market (A'iniyah & Taufiqurahman, 2021). Each investor would be keen to allocate their funds to companies that offer promising stock returns (Bogle, 2017).

Investors need to consider stock return as a key factor in their decision-making process, as it indicates how well the company is performing. According to information found on Bareksa.com, data from the

Indonesia Stock Exchange (IDX) revealed that market capitalization had risen to IDR 9,509 trillion by December 28, 2022, marking a 15.2% increase from the end of 2021 when it stood at IDR 8,256 trillion. Earlier, the Indonesian capital market had reached a new milestone of IDR 9,600 trillion on December 27, 2022.

The phenomenon of falling stock returns in the mining sector in Indonesia in 2021. Based on the *Market.bisnis.com* page experienced a decrease in average stock returns of - 40.52%, but in 2022 it increased again with an average stock return of 100.04. In February 2024, INCO experienced an increase in shares of 4.34% with a share price of IDR 3,850 per share. However, INCO shares fell 10.67% throughout 2024, and fell 40.31% in the last 6 months. Furthermore, the phenomenon of falling stock returns on the *cnbcindonesia.com* page, a mining company with the company code RMKO, RMKO shares have decreased by 28.34% for one month and 14.10% for a week, while from the highest closing stock price, which is right on the first day of listing, RMKO shares have decreased by 52%, on July 31, 2024 offered a share price of IDR 450 per share, meaning that RMKO shares have decreased drastically by 40%.

There are multiple reasons for the decrease in stock returns, including non-financial aspects like Environmental, Social, Governance (ESG). The ESG framework revolves around the principles of sustainability in development, investments, and business practices, with a particular emphasis on environmental impact, social considerations, and effective corporate governance. The relationship between ESG practices and stock market performance can fluctuate significantly depending on industry dynamics, company size, and prevailing global economic conditions. Nevertheless, substantial evidence suggests that companies excelling in ESG implementation generally outperform in terms of stock market returns in the long run (Shaid, 2023).

Based on the results of previous investigation by Alghifani (2024) the results found that ESG disclosure has no effect on stock returns. Moreover, Rahma (2024) found that Environmental, Social, Governance (ESG) has a positive and significant effect on stock returns. As reported by Qodary and Tambun (2021) the test results show that environmental, social and governance (ESG) has no effect on stock returns.

One more element that influences stock performance is the size of the company. Company size is determined by the amount of assets it possesses. A financially solid company can secure funding from external sources, reducing the need for internal financing. External funding can boost a company's operations. The size of a company, whether small or large, determines the advantages investors receive (Winters & Murfin, 1988).

According to findings from previous studies carried out by Nursita (2021) indicate that the size of a company has a notable impact on the performance of its stocks. Evidence presented by Lasa and Mustafa (2023), highlights the size of a business does not impact its stock performance. A study carried out by Hafidzi et al. (2023) report that the size of a company influences the returns on its stocks.

As a result, scholars are encouraged to carry out a fresh examination of stock market performance and various determinants affecting it. The investigation focuses on companies involved in mining that are listed on the Indonesia Stock Exchange from 2016 to 2023. The primary goal is to examine how Environmental, Social, and Governance (ESG) standards and company size influence the stock performance in the mining sector.

## **2. Literature Review**

### **2.1. Signalling Theory**

As outlined in Signalling theory, companies are expected to provide adequate information to stakeholders (BliegeBird & Smith, 2005). Grounded in this theoretical perspective, managers of issuing companies understand the quality of the company better than outside investors. Investors unable to distinguish low-quality companies from high-quality ones choose to put a lower price on their new goods to show the true value of these goods (Melinda & Wardhani, 2020).

The purpose of signaling is to provide information about the quality of the company compared to other companies. With this signal theory, we can say that company management, especially companies that have gone public, consistently provides information to investors to enable investors to know the company's

condition and future potential. As a result, in the process of making decisions to invest, investors can determine which businesses have high value so that they can benefit in the future (Okalesa et al., 2024).

In the perspective of signalling theory, companies with a good ESG record may find it easier to gain access to capital as investors increasingly consider ESG factors in their investment decisions. This may signal to the market that the company is considered more sustainable and has better long-term prospects (Giantari, 2024).

This may lead investors to view companies that perform well in terms of ESG as more sustainable and less risky investments. Therefore, if companies disclose good ESG performance, this may attract more ESG-oriented investors, which in turn may increase share prices and provide higher returns for shareholders (Jesika et al., 2023).

Signalling theory suggests that investors view companies with substantial growth as a positive signal, leading to a favourable response from investors and subsequently increasing the company's value. The size of a company is believed to have an impact on its overall value. A large company size indicates healthy development and growth, ultimately boosting the company's worth (Rakhman et al., 2021).

## 2.2. Environmental Social Governance (ESG)

ESG is a critical factor in advancing economic, social, and environmental initiatives to reach sustainable business objectives. ESG serves as the cornerstone for integrating corporate social responsibility and promoting sustainable practices within business operations. Each aspect has interrelated components. Environmental aspects include ecosystem preservation, biodiversity management, waste and recycling responsibilities and environmental supply chain standards. Social aspects include education, employees, human rights, labor standards, diversity, health and safety. Finally, the governance aspect includes corporate governance mechanisms, audit and control, shareholder rights, and transparency (Haat et al., 2008).

According to Sofia (2024) ESG itself involves a standard or framework that offers performance measures or metrics with the ESG concept, namely the emergence of the Global Reporting Institute (GRI). This research examines how companies disclose ESG information by comparing the number of disclosed indices to the total number of indicators. ESG performance is assessed based on the Standard GRI-G4 index, which includes 91 disclosures.

$$\text{ESG Index} = \frac{\text{Number of GRI Index Disclosure Standards}}{\text{Total GRI Index Disclosure Standards}}$$

## 2.3. Company Size

The size of a company can impact its capital structure, with total assets being a key indicator of company size. A larger total asset value typically signifies a larger company (Rahayu et al., 2025),

Company Size will be proxied by  $\text{Company Size} = \ln(\text{Total Assets})$  because the natural logarithm is intended to minimize data with excessive fluctuations. In addition, the use of natural logarithms is also intended to simplify the amount of assets which may reach trillions of rupiah without changing the actual proportion.

$$\text{Size} = \ln \text{ of total assets}$$

## 2.4. Stock Return

The stock return provides external observers with an overview of the company's status, achievements (Aminah, 2021), and potential future opportunities (Diamond, 2000). Nadyayani and Suarjaya (2021) said the company's status, accomplishments, and future possibilities are presented to outsiders through stock returns.

Profit on investment is determined through the return rate, which involves deducting the initial capital from the total received amount, and then dividing this figure by the initial investment. The criteria used to gauge stock performance in this research are described as Huda et al. (2015) formulated as follows:

$$R_i = \frac{P_{(t)} - P_{t-1}}{P_{t-1}}$$

Description:

$R_i$  = Stock return

$P_t$  = Stock price in period  $t$

$P(t-1)$  = Stock price in period  $t-1$

## **2.5. Hypothesis Development**

### **2.5.1. The Effect of Enviromental, Social, Governance (ESG) on Stock Returns.**

ESG involves companies disclosing their progress in environmental, social, and governance areas, which includes initiatives like cutting down on carbon emissions, prioritising employee well-being, and promoting transparency in how corporations are governed (La Torre et al., 2020).

Enviromental, Social, Governance (ESG) has a relationship with stock returns, where the higher the environmental and social performance, the higher the potential return received (Salsabila et al., 2025).

Based on signaling theory then, companies with a good ESG record may more easily gain access to capital as investors increasingly consider ESG factors in their investment decisions. This may signal to the market that the company is considered more sustainable and has better long-term prospects (Giantari, 2024).

Research carried out by La Torre et al. (2020) backs this up, showing that there is a beneficial influence on stock returns from Environment, Social, and Governance (ESG) factors. Based on this finding, the following hypothesis can be put forward:

**H1:** Environment, Social, and Governance (ESG) has a positive effect on Stock Returns.

### **2.5.2. The Effect of Company Size on Stock Returns**

The term "company size" refers to the characteristics displayed by a business. Big companies typically possess all necessary resources, whereas smaller ones may be lacking in this aspect. Investors are often attracted to companies that boast a substantial size indicator. Well-established businesses with a lengthy track record and a sizeable presence are more inclined to generate handsome profits and enhance stock returns for their investors. A large company size is viewed as a positive signal by investors, as it suggests the likelihood of significant profits being made available (Nahdhiyah & Alliyah, 2023).

Based on signaling theory, investors can accept companies that have large growth as a positive signal, and investors will respond favorably so that this can increase the value of the company. The size of a company is believed to have an impact on its overall worth. A larger company typically signifies positive progress and expansion, ultimately leading to a higher company value (Rakhman et al., 2021).

This is supported by research conducted by Erfika et al. (2024) the size of a company has a significant impact on the performance of its stock. From this examination, we can propose the theory that:

**H2:** Company size has a positive effect on Stock Returns.

### **2.5.3. The Effect of Environmental, Social, Governance (ESG) and Company Size on Stock Returns**

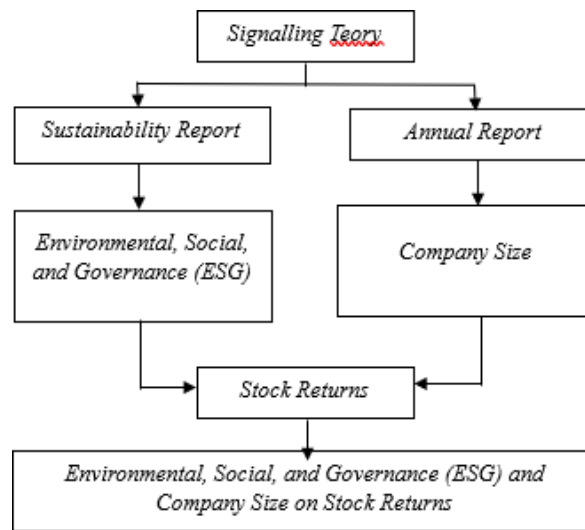
Environmental, Social, and Governance factors, as well as company size, play a role in stock returns. Companies with strong ESG performance tend to have lower risks, which can attract investors interested in sustainability. This positive impact can lead to higher stock returns. A larger company size often indicates growth and development, also contributing to stock returns. When companies achieve a balance between good ESG performance and significant company size, they become more appealing to investors and can have a positive effect on stock returns.

According to signalling theory, large companies with adequate resources generally have a better ability to implement effective ESG practices. This provides a stronger signal to investors about the company's commitment to sustainability and encourages them to invest (Karr et al., 2023) Large companies that have a greater economic impact tend to attract the attention of large institutional investors who increasingly pay attention to ESG factors (Gavin et al., 2022). As a result, ESG signals from large companies may have a greater influence on stock prices and market perceptions.

This is supported by research conducted by Yanti and Hanjani (2024) ESG factors and company size are influential in determining the returns of stocks. This leads to the development of a hypothesis:

**H3:** Environmental, Social, and Governance (ESG) and Company Size have a positive effect on Stock Returns.

## 2.6. Framework of Thought



**Figure 1. Framework of Thought**

Source: Data processed by researchers, 2025

## 3. Methodology

### 3.1. Research Design

The research methodology used in this study is descriptive in nature, aiming to investigate the existence of independent variables, often focusing on one variable at a time or multiple variables (Sugiyono, 2013).

The study utilises a quantitative method, which is characterised by its emphasis on numerical information and statistical assessment. The dataset for this research comprises of sustainability and annual reports retrieved from mining firms on the official IDX website.

### 3.2. Population and Sample

The study revolves around mining companies listed on the Indonesia Stock Exchange from 2016 to 2023. In the selection process, non-probability sampling, particularly purposive sampling, is used. Only mining companies that fulfil the specified criteria for sampling are considered in the research.

**Table 1. Sampling Criteria**

| No. | Criteria                                                              | Total |
|-----|-----------------------------------------------------------------------|-------|
| 1.  | Mining sector companies listed on the Indonesia Stock Exchange (IDX). | 63    |
| 2   | Mining sector companies that do not publish sustainability reports    | -49   |

Source: Data processed by researchers, 2025

### 3.3. Data Analysis

Parametric statistics, multiple linear regression analysis, and descriptive statistics were employed in this study. The preferred statistical software for data analysis was SPSS. The influence of independent variables on the dependent variable was examined through multiple linear regression analysis. Sugiyono (2013) presented the formula for multiple linear regression with two or more independent variables.

$$Y = a + b(1) X(1) + b(2) X(2) + \epsilon$$

Description:

Y : Value of the dependent variable

A : Y value constant if variable X is zero

b(1) b2 : Multiple regression coefficient between each independent variable to the dependent variable.

X1 : Enviroment, Social and Governance (ESG)

X2 : Company Size

$\varepsilon$  : Standard error

## 4. Results and Discussion

### 4.1. Research Results

#### 4.1.1. Descriptive Statistics

**Table 2. Descriptive Statistical Test Results**

|                    | N  | Minimum | Maximum | Mean    | Std.<br>Deviation |
|--------------------|----|---------|---------|---------|-------------------|
| ESG                | 56 | .08     | .74     | .3584   | .20573            |
| Company Size       | 56 | 13.96   | 22.22   | 18.0773 | 29.4456           |
| Stock Return       | 56 | -.62    | 5.41    | .4596   | 11.4259           |
| Valid N (listwise) | 56 |         |         |         |                   |

Source: SPSS Output Results

The findings of the descriptive statistical analysis in Table 2 reveal that there are 56 sample data points in this study. The data indicates that for the independent variable Environmental, Social, and Governance (ESG) (X 1), the values range from 0.08 to 0.74, with an average of 0.3584 and a standard deviation of 0.20573. In relation to Company Size (X2), the values vary between 13.96 and 22.22, with an average of 18.0773 and a standard deviation of 29.4456. Lastly, the dependent variable Stock Return (Y) ranges from -0.62 to 5.41, with an average of 0.4596 and a standard deviation of 11.4259.

#### 4.1.2. Classical Assumption Test

Ensuring the accuracy, absence of prejudice, and reliability of the regression equation requires checking the traditional assumptions (Waty et al., 2023). All the data collected for two independent variables and one dependent variable is in the form of quantitative ratios. In order to ensure precise research outcomes, it is essential to conduct a traditional assumption test encompassing four main tests - testing for data normality, multicollinearity, heteroscedasticity, and autocorrelation (Ghozali, 2016).

##### A. Data Normality Test

The normality assessment helps determine if the regression model, independent, and dependent variables follow a normal distribution. The outcome of the normality test is outlined below:

**Table 3. Data Normality Test Results**

|                                |           | Unstandardized<br>Residual |
|--------------------------------|-----------|----------------------------|
| N                              |           | 52                         |
| Normal Parameters <sup>a</sup> | Mean      | .0000000                   |
|                                | Std.      | .56324827                  |
|                                | Deviation |                            |
| Most Extreme Differences       | Absolute  | .179                       |
|                                | Positive  | .179                       |
|                                | Negative  | -.092                      |
| Test Statistic                 |           | 1.292                      |
| Asymp. Sig. (2-tailed)         |           | .071                       |

Source: SPSS Output Results

The data in the study followed a normal distribution, as shown by the critical value of 0.071 in Table 3 of the Kolmogorov-Smirnov normality test, which is higher than the predetermined significance level of 0.050. This allows for the possibility of conducting additional tests for further analysis.

#### B. Multicollinearity Test

The following traditional assumption check is the multicollinearity test, which seeks to establish whether there is a relationship between the predictor variables in the regression model.

**Table 4. Multicollinearity test results**

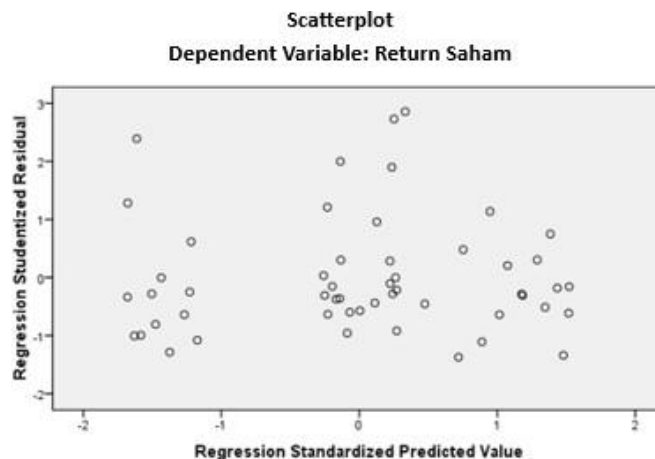
| Model |              | Collinearity Statistics |       | Decision             |
|-------|--------------|-------------------------|-------|----------------------|
|       |              | Tolerance               | VIF   |                      |
| 1     | ESG          | 1.000                   | 1.000 | No multicollinearity |
| 2     | Company Size | 1.000                   | 1.000 | No multicollinearity |

Source: SPSS Output Results

According to the findings of the multicollinearity test shown in Table 4, the ESG and Company Size variables have tolerance and VIF values of 1,000 each. Since these values satisfy the required thresholds (tolerance > 0.10 and VIF < 10), it is evident that there is no multicollinearity detected in this particular model.

#### C. Heteroscedasticity Test

The outcomes of the heteroscedasticity evaluation are outlined below:



**Figure 2. Heteroscedasticity Test Results**

Source: SPSS Output Results

In the findings depicted in Figure 2, it is evident that there is no clear trend present, indicating a scattered pattern. Therefore, it can be concluded that there is no evidence of heteroscedasticity in the dataset.

#### D. Autocorrelation Test

The outcomes of the autocorrelation test are presented below.

**Table 5. Autocorrelation Test Results**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin- Watson |
|-------|-------------------|----------|-------------------|----------------------------|----------------|
| 1     | .180 <sup>a</sup> | .032     | -.007             | .37441                     | 1.932          |

Source: SPSS Output Results

The results of the autocorrelation test can be seen in Table 5, showing a Durbin-Watson value of 1.932. By comparing this value with the dW table, we can see that the minimum threshold is 1.469. The Durbin-Watson value falls between 1.634 and 2.366, suggesting that the model is not affected by autocorrelation, whether positive or negative. Hence, we can conclude that there is no autocorrelation detected in the model.

### E. Multiple Linear Regression Analysis

The results obtained through the analysis of multiple linear regression are outlined as follows:

**Table 6. Multiple Linear Regression Analysis Test Results**

|   | Model        | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|---|--------------|-----------------------------|------------|---------------------------|-------|------|
|   |              | B                           | Std. Error | Beta                      |       |      |
|   | (Constant)   | .116                        | .345       |                           | .337  | .737 |
| 1 | ESG          | .288                        | .254       | .159                      | 1.132 | .263 |
|   | Company Size | .011                        | .018       | .084                      | .598  | .553 |

Source: SPSS Output Results

Based on the information presented in table 6, it is possible to formulate a mathematical equation by analysing the results of the regression analysis involving several variables.

$$Y = 0.116 - 0.288 + 0.011 + e$$

The explanation of the multiple linear regression model equation above is as follows:

1. The constant of 0.116 means that if the disclosure of Environmental, Social, and Governance (ESG) (X1) , Company Size (X2) is 0, then the value of Stock Return (Y) is 0.116.
2. The regression coefficient of the Environmental, Social, and Governance (ESG) disclosure variable (X1) is 0.288 with the assumption that all other independent variables are constant, then an increase of (1) one unit in the Environmental, Social, and Governance (ESG) disclosure will result in an increase of 0.288 in Stock Return (Y).
3. The regression coefficient of the variable disclosure of Company Size (X2) is 0.011 with the assumption that all other independent variables are constant, then an increase of (1) one unit in the disclosure of Company Size (X2) will result in an increase of 0.011 in Stock Return (Y).

### F. Determination Coefficient Test

By calculating the Adjusted R Square value, the measurement of the coefficient of determination aims to determine the level of influence that the independent variable exerts on the dependent variable.

**Table 7. Test Results of the Coefficient of Determination Analysis**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .180 <sup>a</sup> | .032     | -.007             | .37441                     |

a. Predictors: (Constant), Company Size, ESG

Source: SPSS Output Results (Data processed 2025)

According to table 7 and the calculations above, it is apparent that the Adjusted R Square value is 0.032 or 0.032%, showing that the Environmental, Social, and Governance (ESG) and Company Size factors can only account for 0.032% of the changes in Stock Returns, with the remaining variation attributed to variables not considered in this study.

### 4.1.3. Hypothesis Test

#### A. Partial Hypothesis Test (T-test)

**Table 8. Partial Hypothesis Test Results (T Test)**

| Model        | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|--------------|-----------------------------|------------|---------------------------|-------|------|
|              | B                           | Std. Error | Beta                      |       |      |
| (Constant)   | .116                        | .345       |                           | .337  | .737 |
| 1 ESG        | .288                        | .254       | .159                      | 1.132 | .263 |
| Company Size | .011                        | .018       | .084                      | .598  | .553 |

Source: SPSS Output Results

Based on table 8 which illustrates partial hypothesis testing. The t-table is obtained from the degrees of freedom or  $df = n - k - 1$ , where the amount of data is symbolized by  $n$  and is the number of independent variables symbolized by  $k$ . As a result,  $df = 52 - 2 - 1 = 49$ , illustrating that 1.677 is the result for the t-table.

1. The t-value on the Environmental, Social, and Governance (ESG) variable is  $1.132 < t\text{-table}$ , namely 1.677 and the Sig. value is  $0.263 > 0.05$ . So  $H_0$  is accepted and  $H_a$  is rejected, which means that partially the Environmental, Social, and Governance (ESG) variable has no significant effect on Stock Returns or the hypothesis is rejected.
2. The t-value on the Company Size variable is  $0.598 < t\text{-table}$ , namely 1.677 and the Sig. value is  $0.553 > 0.05$ . Then  $H_0$  is accepted and  $H_a$  is rejected, which means that partially the Company Size variable has no significant effect on Stock Returns or the hypothesis is rejected.

#### B. Simultaneous Hypothesis Test (F Test)

**Table 9. Simultaneous Hypothesis Test Results (F Test)**

| Model       | Sum of Squares | df | Mean Square | F    | Sig.              |
|-------------|----------------|----|-------------|------|-------------------|
| Regression  | .229           | 2  | .114        | .817 | .448 <sup>a</sup> |
| 1 Residuals | 6.869          | 49 | .140        |      |                   |
| Total       | 7.098          | 51 |             |      |                   |

a. Predictors: (Constant), Company Size, ESG

b. Dependent Variable: Stock Return

Source: SPSS Output Results

The findings shown in Table 9 indicate that the f-value is below 3.19, and the significance value exceeds 0.05. Consequently, the null hypothesis is accepted and the alternative hypothesis is rejected, indicating that the hypothesis as a whole is also discarded. This suggests that the combination of ESG and Company Size does not have a noteworthy influence on Stock Returns.

## 4.2. Discussion

### 4.2.1. The Effect of Environmental, Social, and Governance (ESG) on Stock Returns

Based on the test results, it seems that the ESG factor does not have any effect on stock returns. This implies that a rise in ESG value results in a decrease in stock returns, supporting the acceptance of  $H_0$  and the rejection of  $H_a$ . The outcomes reinforce the conclusions drawn by Aziz and Chariri (2022) and Aditama (2022), suggesting that ESG has minimal impact on stock returns and that higher ESG values are associated with lower stock returns.

This indicates that the average ESG disclosure is still relatively low, but still has a fairly good development when viewed from the average ESG disclosure each year. ESG has not been able to make a significant contribution to stock returns, this condition can be caused by several factors, namely, first the lack of transparency and ESG reporting standards, many companies are inconsistent in disclosing ESG and use different standards, making it difficult for investors to assess the quality of ESG implementation between companies. Second, ESG is not yet considered a major factor in investment decisions, which is a determining

factor in the formation of stock prices. Finally, the positive effects of ESG practices are only felt in the long term, if the analysis is focused on short-term returns, the relationship between ESG and returns does not appear significant.

As for other factors that cause ESG to have no significant effect on stock returns, namely where ESG disclosure in the mining sector in 2016-2023 experienced conditions in each year that were still inconsistent where many companies still experienced increases and decreases in ESG values. ESG only received great attention in 2020, so that in 2016-2020 its influence on stocks was still very weak and still not an integral part of business strategy in the mining sector, especially in developing countries.

Another factor is that the increase in global coal prices in 2021-2022 due to the global energy crisis has led to a surge in mining stock returns, even though ESG disclosure has not improved significantly. Thus, the findings of this study imply that companies need to integrate ESG into core strategies, increase transparency, and build market trust for ESG to truly add value to their stocks.

#### **4.2.2. The Effect of Environmental, Social, and Governance (ESG) on Stock Returns**

According to the test findings, it appears that the Company Size factor does not influence Stock Returns. Indicating that as the Company Size increases, stock returns decrease, leading to the acceptance of H0 and rejection of Ha. This conclusion aligns with previous studies conducted by Chandra and Darmayanti (2022) which say that company size has no significant effect on stock returns, meaning that the higher the company size, it will be accompanied by a decrease in stock returns.

According to the average figures, it can be observed that mining companies experienced consistent expansion in company size between 2016 and 2023. However, this does not necessarily indicate an improvement in the company's capability to enhance Stock Returns. Various factors, including fundamental and macroeconomic influences like interest rates, inflation, and government regulations, may play a pivotal role in driving stock fluctuations. Second, companies that are mature so that growth opportunities are limited, and reduce the potential for a sharp increase in share prices,

As for other factors that cause Company Size to have no significant effect on Stock Returns, namely the size of the company that experienced fluctuations in the mining sector in 2016-2023. Another factor occurs because of very volatile commodity prices, in this period many mining companies were inconsistent in financial reporting, especially when commodity prices fell in 2016-2017 and rose sharply again in 2021-2022. In 2021-2022 there was a surge in nickel and coal prices, this pushed stock returns up dramatically even for small companies, and in 2020-2023 there were many new mining companies with small valuations but high returns.

With the COVID-19 pandemic in 2020 causing global uncertainty, the energy transition is pressuring investor perceptions of the traditional mining sector. As a result of this research, it can be inferred that businesses must be adaptable and creative in order to expand and generate favourable prospects in the market, as well as establish a robust reputation that appeals to investors, as perceptions can impact the demand for stocks.

#### **4.2.3. The Effect of Environmental, Social, and Governance (ESG) and Company Size on Stock Returns**

The simultaneous F-test results show that the f-value for all variables is 0.817, lower than the f-table value of 3.19, with a significance level of 0.448, which is greater than 0.05. As a result, the null hypothesis is accepted while the alternative hypothesis is rejected, indicating that the hypothesis is not upheld. Thus, it can be inferred that the combined influence of Environmental, Social, and Governance (ESG) factors and Company Size does not have a significant effect on Stock Returns.

The interaction between Environmental, Social, and Governance (ESG) factors and the size of a company does not appear to have a significant effect on stock returns. When considering the mining industry on the Indonesia Stock Exchange, it is clear that higher ESG ratings and larger company sizes do not necessarily equate to higher stock returns.

In the context of signalling theory, it is believed that Environmental, Social, and Governance (ESG) and Company Size have the potential to enhance firm value. However, the results of this study suggest that in

reality, this relationship lacks significance due to the absence of more effective strategies, policies, and market appreciation for their contribution.

## 5. Conclusion

This research examines how Environmental, Social, and Governance (ESG) factors and the size of a company impact Stock Returns in the mining industry that are publicly traded on the Indonesia Stock Exchange (IDX) between 2016 and 2023. The findings reveal that, on average, ESG scores have shown a gradual increase over the years; however, they have not yet reached a level sufficient to significantly influence stock returns. Similarly, company size during the same period demonstrated relatively stable trends with minimal fluctuations, but this stability also did not translate into a significant impact on stock returns. Furthermore, stock returns in the mining sector were found to be fluctuating throughout the observed period. The results of hypothesis testing show that ESG and company size do not have a significant impact on stock returns when considered separately. Additionally, when both ESG and company size are analysed together, they still do not have a significant effect on the stock returns of mining companies listed on the IDX between 2016 and 2023.

The results of this research may not be widely relevant due to various limitations. To start with, the availability of Environmental, Social, and Governance (ESG) data varies among mining companies listed on the IDX from 2016 to 2023. Furthermore, only the GRI-G4 method is utilised to evaluate the importance of Environmental, Social, and Governance (ESG) in this research. In addition, there are many other factors not considered that could influence a company's stock performance. It is suggested for future scholars to use different Environmental, Social, and Governance (ESG) metrics to showcase how they affect stock returns.

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