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Does Earning Per Share Contribute to the Effect of ESG Score on Share Price of Mining Sector Companies?

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ABSTRACT

Objective: With an emphasis on the moderating effect of earnings per share (EPS) in the mining industry, this study examines the relationship between stock prices and social, governance, and environmental disclosures.
Methods: A quantitative examination was carried out with 140 mining companies' data. Information was gathered from MarketWatch, IDX (Indonesia Stock Exchange), and business sustainability reports using documentation methodologies and selective sampling.
Findings: The data demonstrates a noteworthy and favorable influence of ESG scores on company prices, with EPS further amplifying this effect. Companies that have high Environmental, Social, and Governance (ESG) ratings experience a rise in their stock prices, particularly when their financial performance is robust. Nevertheless, an unforeseen inverse relationship between earnings per share (EPS) and stock prices within the mining industry indicates that the market is doubtful of the validity of high EPS in specific circumstances.
Novelty: This study provides a more profound comprehension of the relationship between financial measures and ESG aspects in influencing stock prices, uncovering the intricate dynamics between financial well-being and sustainable practices.
Theory and Policy Implications: The findings underscore the significance of integrating efficient ESG initiatives with robust financial performance in order to enhance stock prices. Policymakers should prioritize the promotion of transparency in reporting environmental, social, and governance (ESG) factors, as well as the incorporation of financial indicators into regulatory frameworks. These measures will help facilitate and encourage sustainable business practices.

Introduction

In 2024, the ESG reporting landscape underwent significant changes as a result of increasing legal requirements and stakeholder expectations for greater transparency. Since investors and regulatory agencies alike stress the necessity for thorough and trustworthy sustainability disclosures, the incorporation of ESG variables into corporate reporting has grown in importance (Diwan and Amarayil Sreeraman 2024). Recent research has indicated that companies that have strong environmental, social, and governance (ESG) practices tend to experience improved reputation and increased investor trust, leading to better financial results (Busch 2021; Maaloul et al. 2023). Global initiatives such as the EU Sustainable Financial Disclosure Regulation (SFDR) and the proposed climate disclosure rules by the US Securities and Exchange Commission (SEC) demonstrate an increasing acknowledgement of the significant influence that Environmental, Social, and

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Governance (ESG) factors can have on the performance of businesses (Busch 2021; Jebe 2019). The development of innovative technology and analytical tools has made it easier to produce more detailed and up-to-date ESG reports (Asif, Searcy, and Castka 2023). This highlights the importance for businesses to adjust to these changing standards. With the growing complexity of ESG reporting, it is crucial to examine the effects of these changes on financial indicators and investment choices (Kotsantonis, Pinney, and Serafeim 2016).

There is still a big problem with ESG reporting's direct effect on the stock market and financial performance, even with its improvements. Although several studies indicate a favorable association between strong ESG performance and enhanced financial indicators, the evidence is inconclusive and occasionally conflicting (Lee and Suh 2022). For instance, certain research suggests that companies with robust environmental, social, and governance (ESG) qualifications experience greater returns on their stocks and reduced capital costs (Mobius and Ali 2021). However, other studies emphasize the absence of a reliable correlation between disclosures regarding ESG and the performance of stocks (Khan 2022; Wong and Zhang 2022). The lack of clarity in this matter is partially attributed to the wide range of approaches and metrics employed in evaluating ESG performance, resulting in different interpretations of its financial consequences (Mansouri and Momtaz 2022). Moreover, the impact of company-specific characteristics, such as the kind of sector and geographic location, on the relationship between ESG (environmental, social, and governance) aspects and stock prices has not been well investigated. This knowledge gap highlights the need for more in-depth studies that take these factors into account and perhaps moderate the relationship between ESG practices and stock price.

It is vital to consider multiple theoretical frameworks in order to tackle the intricacies of sustainability reporting, including its financial ramifications. The stakeholder hypothesis suggests that companies with robust environmental, social, and governance (ESG) performance have a greater ability to effectively handle relationships with stakeholders, resulting in improved financial performance and reduced risk (Freeman and Phillips 2018). The theory posits that implementing strong environmental, social, and governance (ESG) practices can harmonize business goals with the expectations of stakeholders, leading to enhanced market perception and increased investor confidence (Danso et al. 2020). Moreover, the legitimacy theory posits that companies participate in ESG reporting in order to acquire social legitimacy and reduce reputational risks (Suchman 1997). According to this hypothesis, companies that show a dedication to environmental, social, and governance (ESG) principles are likely to earn positive assessments from stakeholders, which can have a beneficial impact on their stock prices. Moreover, ESG practices can be a strategic asset that strengthens a company's competitive edge by setting it apart in the marketplace, according to the resource-based view, or RBV, theory (Battisti et al. 2022). All of these ideas combined offer a strong foundation for examining how ESG practices affect stock prices and financial performance (Alkaraan et al. 2022).

Recent changes in regulatory environments and investor expectations highlight the need for research on the relationship between sustainability indicators and stock prices. Prior research has predominantly concentrated on examining the direct correlation between sustainability metrics and stock prices, frequently neglecting to consider the potential moderating influences of other financial indicators, such as profitability per share (EPS). This research is unique since it focuses on analyzing EPS as a moderating factor in the relationship between ESG and stock prices. Prior studies have yielded conflicting findings on the influence of environmental, social, and governance (ESG) factors on stock prices. Some research indicates a positive correlation Avramov et al. (2022), Halbritter and Dorfleitner (2015), Rezaee (2020), while others suggest minimal or negative impacts (Broadstock et al. 2021; Nirino et al. 2021). This contradiction underscores the necessity for additional examination into how EPS, which serves as a crucial indicator of a company's profitability and financial well-being, may impact the intensity or trajectory of the ESG-stock price correlation (Rao et al. 2023). The goal of this research is to close a significant gap in the literature by providing a more thorough understanding of the relationship between ESG disclosures and stock valuation through the use of EPS as a moderating variable (Zahid et al. 2022).

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This study's main goal is to look into how ESG disclosures affect stock prices, with an emphasis on EPS's moderating function. Clarifying the degree to which EPS affects the connection between stock market valuation and ESG performance is the goal of this study. In doing so, it hopes to offer insightful guidance on how to properly analyze ESG reports and their consequences for financial decision-making to investors, legislators, and business management. The research will add to the current discussion about the importance of ESG elements by providing a more sophisticated understanding of the relationship between sustainable practices and financial measures. This study has important consequences for increasing ESG reporting requirements and enhancing investor strategies, ultimately promoting more knowledgeable and ethical investment practices.

Method

Primary data for this study were gathered using documentation techniques and a quantitative research approach. Purposive sampling strategies were employed to acquire data for this study, which mostly focused on mining businesses. 140 businesses make up the final sample, which was chosen based on how comprehensive the information was that was accessible on sustainability and financial reporting. Drawing from official corporate websites and the IDX, or Indonesia Stock Exchange, website, the key data sources comprise accounting records and sustainability reports (Gunawan, and Fauzi 2022). ESG scores are calculated based on an evaluation of the disclosure aspects related to environmental, social, and governance factors in sustainability reports. These evaluations are conducted according to the principles set by the Global Reporting Initiative, or GRI (de la Cuesta and Valor 2013; Rajesh 2020; Rajesh Thomas 2019). The EPS data is obtained from MarketWatch, while the stock prices are obtained from idx.co.id, representing the closing stock prices at the end of the trading year (Duygun, Guney, and Moin 2018).

Measurement of Instruments and factors: The research makes use of multiple important factors, including the stock price as the dependent variable, the moderating variable being EPS, the independent variable being the ESG score (Razzaq and Akhtar 2024; Shakil 2021). ESG scores are determined by assessing the level and caliber of information disclosed in sustainability reports, in accordance with GRI standards. These criteria serve as a framework for measuring a company's sustainability performance (Saulick, Bokhoree, and Bekaroo 2023). The EPS data are sourced from MarketWatch and they indicate the company's earnings per share, which is a financial performance measure (Choi, Choi, and Malik 2023; Watanabe, Tou, and Neittaanmäki 2020). The stock values are obtained from idx.co.id and represent the closing prices at the end of the year. These prices indicate the market value of the companies (Li, Wei, and Zhang 2023).

Data analysis employs various regression techniques to investigate the correlations among the ESG score, stock prices, and EPS. The analysis procedure involves using descriptive statistics to provide a summary of the data. Additionally, standard assumption tests, including as tests for normality, multicollinearity, and heteroskedasticity, are conducted to confirm the reliability of the regression model. The process of hypothesis testing involves the utilization of F-tests to determine the overall significance of a model and t-tests to examine the influence of specific variables (Meyners and Hasted 2021). Zahid et al. (2022) demonstrate that this approach enables a thorough assessment of the direct and moderating impacts of ESG scores and EPS on stock prices. The findings are analyzed to comprehend the dynamics of ESG performance in correlation with financial outcomes and offer insights into how EPS moderates this association (Zahid et al. 2023).

Result and Discusion

Table 1 presents the results of the Kolmogorov S one-sample test for normality. The test was performed on three analytical models: one examining the isolated impact of ESG on stock price, another examining the combined impact of ESG & EPS on stock price, and a third examining the impact of EPS on stock price. The sample size for each model is 140. The mean for all variables tested is 0.000000, with varying standard deviations. For the partial effect of ESG on stock price, the standard deviation is 910.555. For the interaction

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of ESG and EPS, the standard deviation is 920.437, while for EPS, it is 880.663. The most extreme absolute differences range from 0.078 to 0.086, with nearly equivalent positive and negative values. The Kolmogorov-Smirnov test statistics for the partial effect of ESG on stock price is 0.086 with an asymptotic significance level of 0.061. For the interaction of ESG and EPS, the test statistic is 0.078 with a significance level of 0.159. For EPS affecting stock price, the test statistic is 0.085 with an asymptotic significance level of 0.078. These results indicate that all models meet the normality assumption at the chosen significance level, according to the Kolmogorov-Smirnov normality test.

Table 1. Normality Test Results

Effect	N	Mean	Std. Deviation	Most Extreme Differences	Absolute	Positive	Negative	Test Statistic	Asymp. Sig.
ESG → Stock Price	140	0.000000	910.555	0.086	0.086	0.084	-0.052	0.086	0.061
ESG*EPS → Stock Price	140	0.000000	920.437	0.078	0.078	0.075	-0.049	0.078	0.159
EPS → Stock Price	140	0.000000	880.663	0.085	0.085	0.080	-0.050	0.085	0.078

Data Source; Processed by the author in 2024

Table 2 presents the results of the heteroscedasticity test conducted using regression analysis. With the use of the absolute residuals obtained from the model, the test looks at the relationships between different indicators and the parameter of interest. The regression model incorporates the variables of Environmental, Social, Governance, and EPS, along with a constant term. The analysis is based on a sample size of 140. The unstandardized coefficients reveal that the constant term is 1,480.155, accompanied by a standard error of 595.342. This results in a t-value of 2.487 and a significance level of 0.015. This indicates that the constant term has a statistically significant impact. The environmental variable has an unstandardized coefficient of -13.120 and a standard error of 7.015. This leads to a t-value of -1.872 and a threshold for significance of 0.063. This implies a slight but meaningful relevance and indicates an inverse correlation with the dependent variable. The Social variable has a coefficient of 3.968, which is not standardized, and a standard error of 5.089. The t-value for the Social variable is 0.780, and its significance level is 0.438. This indicates that the variable "Social" does not have a substantial impact on the variable in question. The Governance variable has an unstandardized coefficient of -1.467, with an average error of 6.342. This results in a t-value of -0.231 and an acceptable level of significance of 0.818. This suggests that Governance has a minimal impact on the dependent variable. The EPS variable exhibits an unstandardized coefficient of 0.227 and an average error of 0.271. The t-value associated with this variable is 0.839, and its significance level is 0.402. This indicates that EPS does not exert a substantial influence on the dependent variable. Overall, these findings reveal that none of the variables, with the exception of a constant, provide compelling evidence of having an impact on the model's heteroscedasticity, even though certain predictors are getting close to statistical significance.

Table 2. Heteroscedasticity Test Results

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
C	1,480.155	595.342		2.487
Environmental	-13.120	7.015	-0.196	-1.872

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Social	3.968	5.089	0.080	0.780
Governance	-1.467	6.342	-0.024	-0.231
EPS	0.227	0.271	0.085	0.839

Data Source; Processed by the author in 2024

The results of the multicollinearity test for the regression model are shown in Table 3. This study aims to evaluate the correlation between the dependent variable, stock price, and the independent factors, environmental, social, and governance, using a sample size of 140. With a t-value of -3.280 and a significance level of 0.001, the constant component in the regression equation demonstrates statistical significance. Its unstandardized coefficient is -3,453.798, and its standard error is 1,054.321. The Environmental variable has an unstandardized coefficient of 32.871, with a standard error of 12.424. This results in a standardized coefficients (Beta) of 0.249, a t-value of 2.641, and a significance level of 0.010. The tolerance value is 0.907, indicating a low likelihood of multicollinearity for this variable. Additionally, the Variance Inflation Factor (VIF) is 1.104, further supporting the conclusion that multicollinearity is not a significant worry. A t-value of 2.436, a significance level of 0.016, an individualized coefficient of 21.459, an average error of 8.805, & a beta coefficient of 0.223 are displayed for the social variable. The tolerance value is 0.936, and the VIF is 1.067, suggesting that Social also exhibits a minimal degree of multicollinearity. The Governance variable has an unstandardized coefficient of 30.272, a standard error of 11.090, a Beta value of 0.242, a test value of 2.727, and a level of significance of 0.008. The tolerance value of 0.954 and the VIF value of 1.048 indicate that Governance exhibits little multicollinearity problems. In general, the low VIF values for all predictors indicate that there is no substantial issue of multicollinearity in this regression analysis. This ensures that the predicted coefficients are dependable.

Table 3. Multicollinearity Test Results

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity Statistics
	B	Std. Error	Beta		
1 (Constant)	-3,453.798	1,054.321		-3.280	0.001
Environmental	32.871	12.424	0.249	2.641	0.010
Social	21.459	8.805	0.223	2.436	0.016
Governance	30.272	11.090	0.242	2.727	0.008

Data Source; Processed by the author in 2024

The autocorrelation test results for the influence of social, environmental, and governance factors on stock price are shown in Table 4. The analysis employed a sample size of 140. The R value of 0.487 indicates a moderate positive correlation between the predictors and the variable that is dependent. Given that Governance, Social, and environmental factors together account for 0.237 R Square, this means that 23.7% of the variation in stock price may be explained. The Adjusted R Square value of 0.214 offers a somewhat adjusted assessment of the explanatory power, taking into account the number of predictors in the model. The standard error of the estimate is 913.124, which is the mean deviation of the observed data from the regression line. The Durbin-Watson statistic, which is near to 2, indicates that the regression model's residuals do not exhibit any discernible autocorrelation. This value indicates that there is no serial correlation among the residuals, which confirms the accuracy of the regression results. In summary, these results suggest that the model adequately matches the data without any notable problems of autocorrelation that would impact the precision of the regression estimations.

Table 4. Autocorrelation Test Results for Governance, Social, and Environmental Factors on Stock Price

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.487	0.237	0.214	913.124	1.904

Data Source; Processed by the author in 2024

The association between ESG elements and stock price, as determined by autocorrelation analysis, was shown to be moderately positive, accounting for 22.4% of the variability. The modified R-squared value is 0.216, and the normative error was 927.321. The Durbin-Watson value of 1.902 suggests that there is no significant correlation present in the residuals portion of the regression analysis. This indicates that the outcomes of the regression are reliable and not influenced by any issues of autocorrelation. The Durbin-Watson statistic had a lower bound of 1.676 and an upper bound of 1.708.

Table 5. Autocorrelation Test Results for ESG on Stock Price

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.473	0.224	0.216	927.321	1.902

Data Source; Processed by the author in 2024

Using an autocorrelation test, the study investigates the relationship between Earnings Per Share (EPS) and Environmental, Social, and Governance (ESG) aspects and stock prices. The results indicate a significant and positive relationship between stock prices and both EPS, ESG variables, as well as their combined effect (ESG*EPS). The R-squared value signifies that a significant proportion of the variation in stock prices can be accounted for by these factors. The adjusted R-squared offers a more cautious assessment of the model's ability to explain the data. In addition, the Durbin-Watson statistic indicates that there is no noteworthy autocorrelation in the residuals. This implies that the outcomes of the regression model are dependable and not influenced by any autocorrelation problems.

Table 6. Autocorrelation Test Results for ESG*EPS, ESG, and EPS on Stock Price

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.550	0.303	0.281	890.112	1.967

Data Source; Processed by the author in 2024

Table 7 presents the findings of the partial effect analysis conducted on social, governance, and environmental aspects in relation to Stock Price. The analysis was performed using a sample size of 140. The results of the analysis demonstrate that environmental factors, with a significance level (p-value) of 0.007, less than the 0.05 threshold, have a statistically important effect on stock price. This suggests that environmental influences exert a favorable and substantial influence on stock prices. Moreover, Social factors demonstrate a substantial impact on Stock Price, as indicated by a p-value of 0.021, which falls below the significance level of 0.05. This indicates that social variables play a positive and important role in explaining the fluctuations observed in stock prices. The impact of governance considerations on stock price is statistically significant, as indicated by a p-value of 0.010. The number falls below the customary threshold of 0.05, suggesting a positive and statistically significant influence of Governance on Stock Price. Multicollinearity is not a serious problem in this model, according to the collinearity statistics, which indicate that all predictors have tolerance values over 0.1 & Variance Inflation Factor (VIF) value below 10.

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Table 7. Results of Partial Effect Test

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity Statistics
1 (Constant)	-3.570.821	1.050.231		3.402	.001
Environmental	32.571	11.825	.250	2.755	.007
Social	21.290	9.032	.226	2.355	.021
Governance	30.142	11.311	.245	2.662	.010

Data Source; Processed by the author in 2024

Table 8 presents the results of the regression analysis assessing the effect of Environmental, Social, and Governance (ESG) factors on Stock Price. The analysis was conducted with a sample size of 140. The results indicate a significant impact of ESG on Stock Price, with an unstandardized coefficient of 82.139 and a standardized coefficient (Beta) of 0.475. The t-value is 5.321, and the significance level is 0.000, which is substantially lower than the 0.05 threshold. This implies a strong and statistically significant positive effect of ESG factors on Stock Price. The constant term is -3284.572 with a standard error of 974.325, producing a t-value of -3.370 and a significance level of 0.001. This further supports the reliability of the regression model, indicating that ESG factors significantly influence Stock Price in the context of this study.

Table 8. Results of ESG Effect on Stock Price

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
1 (Constant)	-3.284.572	974.325		-3.370
ESG	82.139	15.420	.475	5.321

Data Source; Processed by the author in 2024

Table 9 provides the results of the moderation analysis examining the interaction effect of ESG and EPS on Stock Price, based on a sample of 140 observations. The analysis reveals that ESG has a significant effect on Stock Price, with an unstandardized coefficient of 61.235 and a standardized Beta coefficient of 0.362, yielding a t-value of 3.624 and a significance level of 0.000, which is less than the 0.05 threshold. This indicates a significant positive impact of ESG on Stock Price. EPS also shows a significant effect on Stock Price with an unstandardized coefficient of -10.145, a Beta of -1.912, a t-value of -2.095, and a significance level of 0.039, which is below 0.05. This suggests a significant negative impact of EPS on Stock Price. The interaction term ESG*EPS has an unstandardized coefficient of 0.176, a standardized Beta of 2.113, and a t-value of 2.292, with a significance level of 0.023. This indicates that the effect of ESG on Stock Price, when moderated by EPS, is significant. The results confirm that EPS moderates the relationship between ESG and Stock Price, highlighting the complex dynamics at play in the stock market context.

Table 9. Moderation Test Results

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
c	-2.125.634	1.078.234		-1.970
ESG	61.235	16.893	.362	3.624
EPS	-10.145	4.836	-1.912	-2.095
ESG*EPS	.176	0.077	2.113	2.292

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Examining how social, governance, and environmental scores affect stock prices is the main goal of this study. EPS plays a key role in moderating this relationship. The study employs data from 140 mining companies as a sample, and the findings offer important new information about the relationship between EPS and ESG and how it impacts stock prices.

Table 9's moderation test results show that ESG has a statistically significant positive impact on stock prices, with an unstandardized value of 61.235 and an established Beta coefficient of 0.362 ($t = 3.624$, $p < 0.05$). This finding aligns with the extensive body of research that indicates a favorable correlation between environmental, social, and governance (ESG) results and financial results, including the valuation of stocks. Multiple studies have confirmed the beneficial impact of Environmental, Social, and Governance (ESG) factors on the valuation of stocks. Garcia (2017) provided evidence that companies with higher ESG scores generally achieve superior stock performance. This is because investors are placing greater importance on sustainability and corporate responsibility, as highlighted (Martin and Moser 2016). Fuente, (2022), Lee, (2022) discovered that companies that have robust environmental, social, and governance (ESG) procedures tend to receive better stock valuations. This is because such measures help in reducing risk and improving the company's reputation (Ng and Rezaee 2020). Several variables can be linked to the positive influence of ESG on stock prices. First and foremost, organizations that have strong environmental, social, and governance (ESG) practices are seen as less risky investments because they take proactive measures to address environmental and social concerns (He, Liu, and Chen 2023). This view diminishes the fluctuation of stock values and entices long-term investors who prioritize sustainability (Liu et al. 2021). In addition, robust ESG performance can bolster a company's standing, resulting in heightened customer allegiance and more financial gains, hence positively influencing stock prices (Tahmid et al. 2022).

The data suggests that EPS has an unforeseen adverse effect on stock values. Typically, EPS is seen as an indicator of a company's financial well-being, hence this discovery is unexpected. In the mining industry, a correlation may exist between higher earnings per share (EPS) and lower stock prices. This unexpected result may be attributed to a multitude of variables. One explanation would be that high EPS indicates aggressive accounting methods or one-time profits, which investors might consider to be short-term and unsustainable (DeAngelo and DeAngelo 2000). Investors may exercise caution towards firms that exhibit high earnings per share (EPS) without substantial enhancements in environmental, social, and governance (ESG) performance. This cautiousness could potentially lead to decreased stock prices, even in the presence of robust profitability (Apergis, Poufinas, and Antonopoulos 2022). Furthermore, the dangers and environmental problems that come with being in the mining industry may outweigh the benefits of high EPS, which would cause stock prices to drop (Valcarcel 2012).

The correlation coefficient between ESG, or Environmental, Social, and Governance, and Earnings Per Share (EPS) suggests that there is a noteworthy and favorable influence on stock prices. This indicates that EPS enhances the direct relationship between the achievement of ESG indicators and company prices (Zhang et al. 2023). This suggests that when earnings per share (EPS) is high, the favorable influence of environmental, social, and governance (ESG) factors on stock prices is enhanced. This finding aligns with prior research that highlights the significance of financial success in regulating the association between ESG factors and stock prices. The study conducted Naeem (2022), revealed that organizations with high Environmental, Social, and Governance (ESG) scores experience enhanced financial advantages when they own a strong financial position. The observed moderating effect suggests that investors place a higher value on ESG initiatives when a company is financially healthy, indicating that strong financial performance is seen as evidence of a company's dedication to ESG (Bofinger, Heyden, and Rock 2022). Excellent financial and environmental and social performance indicates that investors perceive a company as less hazardous and more sustainable, as evidenced by the positive mediation of the link between ESG & stock price by EPS. The additional amount paid for these enterprises results in an increase in stock values (Crifo, Forget, and Teyssier 2015; Petitjean 2019).

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The study's conclusions provide managers, investors, and legislators with insightful information. Investors should take into account both the ESG performance and financial soundness of investment options. Companies that demonstrate exceptional environmental, social, and governance (ESG) policies while also maintaining robust financial performance are expected to provide superior investment returns, hence increasing their appeal as investment opportunities (Saini et al. 2023). The report emphasizes the significance of incorporating efficient ESG practices into business operations for managers (Alkaraan et al. 2022; Torres et al. 2023; Zhang et al. 2023). Robust environmental, social, and governance (ESG) performance, coupled with a sound financial condition, has the potential to result in elevated stock values and enhanced attractiveness to investors (Liu, Nemoto, and Lu 2023). As a result, managers ought to give top priority to improving their ESG activities while maintaining financial stability to draw in and hold onto investment (Kuo, Chen, and Meng 2021). Policymakers can utilize these data to design legislation that promote enhanced environmental, social, and governance (ESG) standards within firms (Broadstock et al. 2020). To improve market efficiency and encourage sustainable corporate practices, governments might establish a legislative framework that emphasizes transparency and accountability in ESG reporting (Khamisu, Paluri, and Sonwaney 2024; Nicolo et al. 2023).

While this study provides valuable insights, it is not without limitations. The sample is limited to companies in the mining sector, which may not be representative of other industries. Future research could expand the sample to include companies from various sectors to validate the findings across different contexts. Additionally, the study focuses on quantitative data and does not consider qualitative factors that might influence the relationship between ESG, EPS, and stock prices (Candio 2024). Future research could explore qualitative aspects such as corporate governance practices, stakeholder perceptions, and managerial attitudes towards ESG to provide a more comprehensive understanding of the dynamics at play. In conclusion, this study contributes to the literature on ESG and financial performance by demonstrating the significant impact of ESG on stock prices and the moderating role of EPS. The findings suggest that both ESG and EPS are crucial factors influencing stock prices, with EPS amplifying the positive effects of ESG. These insights can guide investors, managers, and policymakers in making informed decisions and promoting sustainable business practices.

Conclusion

This study reveals that strong Environmental, Social, and Governance (ESG) performance significantly enhances stock prices, with Earnings Per Share (EPS) further amplifying this positive effect. The results indicate that companies with high ESG scores experience greater stock valuations, particularly when their financial performance, as measured by EPS, is also robust. This underscores the value of integrating ESG strategies with strong financial metrics to attract investors and improve market performance. Overall, the findings highlight the importance of both ESG and financial health in influencing stock prices, suggesting that investors should consider a holistic view of corporate performance when making investment decisions.

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