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THE INFLUENCE OF DIVIDEND POLICY, ESG SCORE, PROFITABILITY, AND LEVERAGE ON THE STOCK LIQUIDITY OF IDX 80 COMPANIES ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

This study aims to analyze the effect of dividend policy measured with DPR, enviromental, social, governance (ESG score), profitability measured by ROA and leverage measured by DER toward stock liquidity by using amihud methods at 80 IDX companies registered in IDX period 2018-2022. This study sample is many 23 companies registered on index IDX 80 with 115 data observations by using a purposive sampling method. Method of analysis data in this research is using regression panel data. Results of this research show that dividend policies measured by DPR, ESG score, enviromental and profitability has a significant effect on stock liquidity. And social score, governance and leverage has no significant effect on stock liquidity. The implications of research for companies can identify predictable financial and non-financial as factors affect the stock liquidity, The company needs to pay attention to profitability that can increase stock liquidity and also pay attention to dividend policy because dividends are able to attract investors so it can increase stock liquidity. Related to the environment score to be attention because of the information bad in this may impact on stock liquidity.

KEYWORDS *ESG Score, Dividend Policy, Profitability, Leverage, And Stock Likuidity*

INTRODUCTION

Investment development is currently on the rise, as evidenced by the increasing number of investors. This is influenced by the advancement of information and communication technology, which facilitates, provides advice, and assists the public in understanding stocks, thereby supporting economic growth in Indonesia. Data on the growth of the number of investors from the Indonesian Central Securities

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Depository (KSEI) for the years 2018-2022 shows an annual increase in the number of investors in the capital market, stock and other securities investors, mutual fund investors, and government securities investors. This is due to the high interest of the public in investing in the capital market.

Investing in the capital market requires attention to stock liquidity. Increasing stock liquidity is related to the number of buy-sell transactions that occur with the stock; if the buy-sell transactions increase, the liquidity of the stock also increases. Conversely, when the number of stock transactions is low, the liquidity of the stock decreases. Dividend policy is one aspect that may affect stock liquidity. When stock liquidity is high, companies are willing to pay more dividends and pay them in higher amounts. When investors have stocks with higher liquidity, they can easily sell their stocks at a low cost and in a timely manner, and may not expect cash dividends to meet their liquidity needs. Research by Stereńczak & Kubiak, (2022) states that stock liquidity can be influenced by dividend policies, causing a reverse cause-and-effect relationship.

Business activities should not only focus on large profits but also need to consider the sustainability impact on the environment. The implementation of ESG (Environmental, Social, and Governance) is now being considered in the operational activities of companies. Research by Zumente & Bistrova, (2021) explains that investors now pay more attention to the ESG and CSR aspects of a company because ESG and CSR create a positive impact on the company's performance. Research by Chen et al., (2023) states that environmental, social, and governance performance can increase stock liquidity by reducing agency costs, increasing foreign ownership, and enhancing the company's reputation. Liang et al., (2023) found different results, stating that companies with high or low ESG do not significantly affect stock liquidity risk.

In addition to dividend policy and ESG aspects, there are other factors that also influence stock liquidity, such as profitability and leverage (Buallay, 2019; Cerqueti et al., 2021). Profitability measures a company's ability to generate profits from its sales, capital, and assets. When a company's profits increase, it will be considered more valuable by investors. This increase also affects its future business prospects, further increasing profits and attracting investors to invest their capital. In this research, profitability is proxied using ROA (Return on Asset). Referring to Chen et al.'s study (2023), Return On Asset and stock liquidity have a significant positive relationship. Leverage is the company's ability to settle its debts, and the use of debt is one of the components used to assess the financial health of a company. When a company's debt is too high, the company is considered unable to pay its obligations. Research by Natsir et al., (2023) states that the leverage variable has a non-significant negative relationship with stock liquidity.

Making the right investment decisions has a positive impact on the company's business development, which can have implications for stock prices. Investors need to be careful and cautious in their investment decisions, and therefore the Indonesia Stock Exchange (IDX) issues stock indices with several criteria to facilitate investors. Many factors affect stock liquidity. Referring to previous studies with varied results, researchers are interested in exploring more deeply the influence of dividend policies on stock liquidity in Indonesia. The researcher's innovation involves

the inclusion of ESG aspects as predictors of stock liquidity in IDX 80 companies on the Indonesia Stock Exchange.

Theoretical Foundation

Stock Liquidity

Stock liquidity refers to the total stock transactions in the capital market within a specific period. According to Zhong & Takehara, (2020), stock liquidity is defined as the total buying and selling transactions of stocks in the capital market for a certain period. Amihud & Mendelson, (2015) state that a stock with high liquidity indicates good equity. They describe high liquidity as the ability to quickly and cost-effectively trade an asset at the current market price. Amihud's Illiquidity ratio is used to measure stock liquidity, considering the daily stock prices reacting to the trading value of stock. This measurement indirectly shows assumptions about how liquidity pressure variables and company size are balanced. An increase in the ILLIQ value indicates a decrease in the stock liquidity of the company, and vice versa.

Dividend Policy

Dividend policy relates to management decisions regarding the company's profits at the end of the year and whether those profits will be distributed or retained to run company operations or finance future investments. This policy can be proxied by the Dividend Payout Ratio (DPR), referring to the percentage of company profits distributed to shareholders in the form of cash dividends. Research by (Ali Taher & Al-Shboul, 2023) shows that dividend policy is negatively related to stock liquidity. Additionally, referring to Stereńczak and Kubiak's study (2022), stock liquidity is influenced by the company's dividend policy. Larkin et al., (2017) describe that companies paying dividends can attract investors, leading to increased stock turnover and enhanced stock liquidity.

ESG Score

ESG Score is an evaluation system for non-financial companies focusing on various aspects such as the environment, society, and governance. According to Chen et al. (2023), the new concept of ESG development is not only a hot issue for the government, academics, and society but also a necessary path for microeconomic entities to achieve sustainable development. Non-financial information related to a company's environment, social, and governance aspects can be beneficial for investors. The information obtained can increase stock demand transactions, potentially leading to increased stock prices and the company's overall value. Research by Wu et al., (2022)mentions that improving ESG ratings can enhance stock liquidity and reduce information asymmetry.

Profitability

Profitability, according to Brigham & Houston, (2013), is the ability to generate profits within a specific period. Return on Asset (ROA) is an indicator that measures how a company generates profits based on its assets. An increase in ROA indicates improved company performance, used by management to make decisions regarding company development or assess future prospects. Research by Lee and (Jiang et al., 2017) concludes that ROA significantly influences stock liquidity.

Chen et al. (2023) states that Return On Asset and stock liquidity have a significant positive relationship.

Leverage

Leverage is a financial ratio indicating a company's ability to operate its business with funding from debts up to a certain limit to support increased company profits. Debt to equity ratio refers to measuring the amount of debt compared to a company's equity, indicating debt ownership against a company's capital. When this ratio increases, it means that operational financing comes from debt rather than their own financial resources. This is an unfavorable indicator for the company. A low ratio indicates that the company's revenue is not heavily used in payments, resulting in increased dividends. This leads to increased buy-sell transactions, and investors are more interested in investing in the company. Research by Waani & Natsir, (2022) states that the leverage variable has a non-significant negative impact on stock liquidity. Additionally, Salman's statement (2019) notes that leverage ratio, namely debt to equity ratio, is positively related to stock market liquidity.

Conceptual Framework

The dividend policy decision is aimed at deciding whether to distribute or retain profits for company operations or future investments. When a company's stock has high liquidity, they are more willing to pay dividends, and in higher amounts. Stereńczak and Kubiak (2022) also mention that stock liquidity is influenced by the company's dividend policy. ESG performance can attract foreign capital inflows and increase foreign ownership, thereby improving stock liquidity. Research by Chen et al. (2023) mentions that environmental, social, and governance performance can increase stock liquidity. Additionally, Return on Asset (ROA) serves as an indicator of how well a company can generate profits based on its asset value. Investors use this to assess the company's feasibility for future development. When the company's prospects are high, it can be expected to provide high returns for investors. The leverage ratio in this study is proxied by the debt to equity ratio (DER). A low DER value increases investor interest in investing their capital in the company. When company revenue is not used to pay debts, the possibility of company dividend payments increases, leading to increased stock liquidity. Referring to Salman's study (2019), the leverage ratio, namely debt to equity ratio, is positively related to stock market liquidity. To further explain the influence between the dependent and independent variables, the researcher creates a conceptual framework as depicted below.

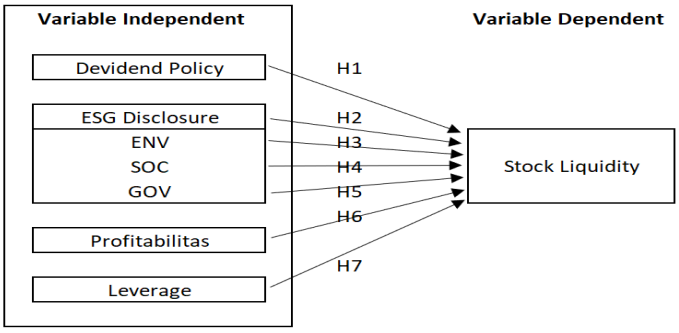

Figure 1. Conceptual Framework

Hypothesis Development

Dividend policy is one of the factors that can influence stock liquidity. Stereńczak & Kubiak's (2022) research suggests that stock liquidity can be influenced by the company's dividend policy, leading to an inverse cause-and-effect relationship. Larkin et al.'s (2017) study describes that companies paying dividends can attract investors, leading to increased stock turnover and liquidity. Ali Taher and Al-Shboul's (2022) research in the American market found that high dividends lead to decreased stock liquidity, while low dividend payments result in increased liquidity. This implies that low and high dividend distributions have different effects on stock liquidity, as they attract investors differently. The hypothesis based on the statements presented is:

H1: There is an influence of Dividend Policy on Stock Liquidity

In addition to dividend policy, ESG aspects are also considered as determinants of stock liquidity. Chen et al.'s (2023) research found that environmental, social, and governance (ESG) performance significantly impacts the liquidity of Chinese companies' stocks from 2015 to 2020. Li et al.'s (2021) study states that ESG can significantly enhance company performance and long-term value, encouraging high-quality company development and positive feedback in the capital market, such as increased stock liquidity. Wu et al.'s (2022) research mentions that improving ESG ratings can increase stock liquidity and reduce information asymmetry. Additionally, (Meng-tao et al., 2023) statement reveals that stock liquidity and ESG positively influence capital market reactions. Luo, (2022) study suggests that ESG ratings affect stock liquidity, with companies with lower ESG scores achieving higher returns than those with higher scores. The hypothesis based on the statements presented is:

H2: There is an influence of ESG Score on Stock Liquidity

Companies with a good reputation related to the environment can impact increased investor interest. Environmental activities consist of resource usage, emissions, and innovation by a company. Chen et al.'s (2023) research indicates that when a company's environmental performance improves, its stock liquidity is also good. Krueger et al., (2021) statement reveals a significant positive influence of ESG disclosure on stock liquidity. Luo's (2022) finding suggests that investors in companies with low environmental scores achieve higher returns than those with higher ESG scores. The hypothesis based on the statements presented is:

H3: There is an influence of Environmental Practices on Stock Liquidity

Good social performance, related to workforce responsibility, human rights, community, and products, increases a company's reputation. When a company has a good reputation, it indicates good value. Chen et al.'s (2023) research states that an improvement in a company's social performance leads to increased stock liquidity. Krueger et al.'s (2021) findings show a significant positive influence of ESG disclosure on stock liquidity. Luo's (2022) statement suggests that companies with low social scores achieve higher returns than those with higher ESG scores. The hypothesis based on the statements presented is:

H4: There is an influence of Social Practices on Stock Liquidity

Corporate governance usually includes processes that improve board efficiency and increase transparency disclosure, thereby enhancing information quality and quantity for investors and minimizing information asymmetry, ultimately increasing market liquidity. Chen et al.'s (2023) research states that improved corporate governance is beneficial for stock liquidity. Ali et al., (2018) research shows that corporate governance correlates negatively with default risk and influences stock liquidity. Luo's (2022) finding suggests that investors in companies with low governance scores have a higher impact on returns than those with higher ESG scores. The hypothesis based on the statements presented is:

H5: There is an influence of Governance Practices on Stock Liquidity

Investors always consider a company's profitability because it indicates the company's ability to generate maximum profits efficiently according to its performance. Referring to signal theory, companies can provide a signal about future prospects. Return on Assets (ROA) can support investors and managers in understanding a company's quality in terms of its ability to convert asset investments into profits. Jiang et al., (2017 and Lee & Yoon, (2017) research concludes that ROA significantly influences stock liquidity. Nassar, (2016) statement reveals a significant relationship between profitability proxied by ROA and ROE with stock liquidity. This is supported by Chen et al.'s (2023) statement, mentioning that ROA and stock liquidity have a significant positive relationship. The hypothesis based on the statements presented is:

H6: There is an influence of Profitability on Stock Liquidity

There is a tendency for companies with good performance to use their debt in investment activities or company expansion when facing financial problems. Pattiruhu & Paais, (2020) research states that leverage and profitability have a significant positive influence on dividend policy. Referring to Sidhu, (2018) statement, leverage has a negative influence on stock market liquidity. Waani and Natsir's (2022) research mentions that the leverage variable has a non-significant negative impact on stock liquidity. Salman's (2019) statement suggests that the debt to equity ratio has a positive relationship with stock market liquidity. The hypothesis based on the statements presented is:

H7: There is an influence of Leverage on Stock Liquidity

RESEARCH METHOD

Research carried out based on hypothesis tests, the tests carried out aim to determine the causal relationship in each research variable. This research design is to examine several aspects that can affect the liquidity of shares of IDX 80 index companies on the Indonesia Stock Exchange for the 2018-2022 period. The research plan also aims to identify the relationship between several variables, namely *ESG Score*, dividend policy, *Environmental, Social, Governance*, Profitability, *Leverage* whether it has an influence on the liquidity of IDX 80 company shares on the Indonesia Stock Exchange in 2018-2022. This research uses secondary data obtained from the Indonesia Stock Exchange, as for the method carried out, namely through panel data, the data analysis process is carried out with an analysis tool, namely the regression data panel using Eviews 10 software. This study aims to examine the impact of dividend policy, *ESG Score*, *Environmental*,

Social, Governance, profitability, leverage whether it has an influence on stock liquidity. Each of its measurements is described in the following table:

Table 1. Variables and Measurements

Variable Type	Variable Name	Proxy	Symbol	Formula	Reference
Dependent Variable	Stock Liquidity	Iliquidity Amihud	ILLIQ	$ILLIQ = Avg_t\left(\frac{\lvert R_t \rvert}{VOL_t}\right)$	Stereńczak & Kubiak, (2022)
Independent Variables	Dividend Policy	Dividend Payout Ratio	DPR	Dividen Per Share / Earning Per Share	Stereńczak & Kubiak, (2022)
	ESG Score	ESG	ESG	Rating Bloomberg	Chen et al (2023)
		Environmental	ENV	Rating Bloomberg	Chen et al (2023)
		Social	SOC	Rating Bloomberg	Chen et al (2023)
		Governance	GOV	Rating Bloomberg	Chen et al (2023)
	Provitability	Return On Asset	ROA	Laba Bersih / Total Aset	Stereńczak & Kubiak, (2022)
	Leverage	Debt to Equity Ratio	DER	Total Debt/Total Equity	Stereńczak & Kubiak, (2022)

The collection technique uses secondary data. This type of data is defined as data obtained indirectly from the source, for example in this case through the Indonesia Stock Exchange (www.idx.co.id), (www.finance.yahoo.com), Bloomberg and the site of the company that is the object of research. In this case, the author uses data from IDX 80 index companies that have been registered on the Indonesia Stock Exchange for the years 2018 to 2022. The sampling method used for this study was *purposive sampling*. There were 57 companies that did not meet the criteria, because these companies did not distribute dividends consecutively and obtained 23 companies included in the IDX 80 index listed on the Indonesia Stock Exchange in 2018-2022. The regression equation is as follows:

$$\mathbf{InSL_{i,t} = \beta_0 + \beta_1 DPR_{i,t} + \beta_2 ESG_{i,t} + \beta_3 ENV_{i,t} + \beta_4 SC_{i,t} + \beta_5 GOV_{i,t} + \beta_6 ROA_{i,t} + \beta_7 DER_{i,t} + \varepsilon_{i,t}}$$

Where, InSLi,t is Stock Liquidity i in year t, DPRi,t is Dividend Payout Ratio i in year t, ESGi,t is ESG Score i in year t, ENVi,t is Environmental rating i in year t, SCi,t is Social rating i in year t, GOVi,t is Governance rating i in year t, ROAi,t is Return On Asset i in year t, DERi,t is Debt to Equity Ratio i in year t, εi,t is random error.

The data analysis method used in analyzing data is e-views software version 12. Data processing using panel data involves several analysis tests, including: 1). Model Selection Test which is the stage where the selection of regression estimation models that are considered the best based on statistical procedures, which include common effect (CE), fixed effect (FE) and random effect (RE), which is determined by estimation methods, namely the Chow, Hausman and Langrangge Multiplier tests.

Table 2. Chow Test and Hausman Test Results

Chow Test				
Model	**Dependent**	***Chi-square***	**Prob**	**Results**
1	*Stock Liquidity*	26.384808	0.0000	Rejected H_0, Fixed Effect selected
Hausman Test				
1	*Stock Liquidity*	14.724058	0.0397	Rejected H_0, Fixed Effect selected

Source: Processed with Eviews (2023).

Based on the results of the Chow Test shows that the value of Prob. Cross-Section Chi-Square Model 1 (*Stock Liquidity*) of 0 < 0.05, Ha Accepted. It can be concluded that the best model selected is the Fixed Effects Model. Based on the test results the *Hausman Test* shows that the value of Prob. Cross-Section Random Model 1 (*Stock Liquidity*) of 0.0397 < 0.05, Ha Accepted. It can be concluded that the best model selected is the *Fixed Effects Model*.

Because the selected model result is *Fixed effect*, the lagrange multiplier (LM) test does not need to be done. So that it continues to analyze *the goodness of fit* from the results of the selected model is the *Fixed effect* model, as follows.

Table 3. *Goodness of Fit* Day F test Result

Model and Test		***Goodness of Fit Test***		**F-test Result**	
Model	**Dependent**	**R^2**	**Adjusted R^2**	**Nilai F**	**Sign.**
1	*Stock Liquidity*	0.9344	0.9120	41.7588	0.000000

Source: Processed with Eviews (2023).

Based on the test results, showing the value of Prob (F-Statistic) in Model 1 (*Stock Liquidity*) of 0 < 0.05, Ha Accepted. It can be concluded that simultaneously all independent variables have a significant effect on the dependent variable, the Fit Model. Based on the test results above, the Adjusted R-Squared value in Model 1 (*Stock Liquidity*) is 0.9120 or 91.20%. Shows that all independent variables can explain the dependent variable by 91.20%, the remaining 8.80% is explained by other variables outside the model.

RESULT AND DISCUSSION

The sample in this study consists of 23 companies listed on the Indonesia Stock Exchange (IDX 80) for the period 2018–2022, resulting in 115 observations.

Table 4. Descriptive Statistics

Variable	**N**	**Mean**	**Median**	**Maximum**	**Minimum**	**Std Deviation**
LIQ	115	0.000646	0.000363	0.005415	0.000039	0.000777
DPR	115	0.164072	0.174190	0.352400	0.000648	0.103505
ESG	115	32.01739	29.00000	63.00000	10.00000	13.57822
ENV	115	35.67826	33.00000	58.00000	11.00000	11.74700

SOC	115	33.82608	33.00000	75.00000	9.000000	15.29147
GOV	115	30.61739	26.00000	64.00000	10.00000	15.09362
ROA	115	0.070670	0.047084	0.480777	0.000168	0.078109
DER	115	2.289383	1.122500	17.07140	0.186446	2.990448

Source: Processed with Eviews (2023)

The descriptive data for the Stock Liquidity variable, with a total of 115 observations, shows an average value of 0.000646. This means that, on average, the volume of stock transactions in the sampled companies reached 0.06% during the study period (2018-2022). The Dividend Policy variable obtained an average value of 0.164072, interpreted as the average dividend distributed to shareholders by the sampled companies over five consecutive years reaching 16.40% of the total net profit. The ESG Score has an average value of 32.01739, indicating that the sampled companies have a moderate ESG disclosure score during the study period, integrating environmental, social, and governance issues into their business models.

Furthermore, the Environmental Score obtained an average value of 35.67826, the Social Score an average of 33.82609, and the Governance Score an average of 30.61739. This suggests that the sampled companies in this study have disclosure scores falling within the moderate category concerning environmental, social, and governance issues in their business models. The Profitability variable obtained an average value of 0.070670, indicating that the majority of the sampled companies have an average profit of 7% during the period 2018-2022. As for Leverage, with an average value of 2.289383, it indicates an unhealthy proportion between debt and equity, averaging 228% > 100% during the period 2018-2022.

Hypothesis Testing

Based on the hypothesis testing results conducted with panel data linear regression, the t-test results are presented in the following table.

Table 5. Hypothesis Testing Results

Fixed Effects Model				
Variables Independent	***Coefficient***	***Prob.***	***Hypothesis***	***Conclusion***
Dividend Policy	0.000243	0.0002	Ha Accepted	Significantly influences
ESG Score	-0.000023	0.0394	Ha Accepted	Significantly influences
Environmental Score	-0.000021	0.0312	Ha Accepted	Significantly influences
Social Score	0.000079	0.4052	Ha Rejected	Not influential
Governance Score	-0.000011	0.2805	Ha Rejected	Not influential
Profitabilitty	0.002225	0.0000	Ha Accepted	Significantly influences
Leverage	-0.000025	0.1409	Ha Rejected	Not influential
Variable Dependencies: Stock Liquidity				

Source: Processed with Eviews (2023).

Discussion of Research Results

The Effect of Dividend Policy on Stock Liquidity

Based on the results of the regression test, a regression coefficient of 0.000243 and a probability value of 0.0002 were obtained. Because it is smaller than the significance level of 0.05 (alpha 5%), so H1 is accepted. The results of this study show that there is a significant influence of *Dividend Policy as measured by* the Dividend *Payout Ratio* (DPR) on Stock Liquidity in IDX 80 companies on the Indonesia Stock Exchange. The value of the coefficient owned by the DPR is positive. A positive value of the coefficient indicates a unidirectional influence. This means that increasing the DPR will be able to have an impact on increasing the company's Stock Liquidity. This is in accordance with the signal theory that dividend policy is considered a signal by investors regarding the good and bad of the company, because dividend policy in the form of dividend payments to shareholders can affect stock prices and increase the liquidity of company shares. The increase in the amount of dividends paid is a positive signal that management is utilizing dividends to provide information to shareholders regarding future prospects. According to Larkin et al., (2017) companies that distribute dividends can be considered a positive sign because dividends can give signals to investors about the company's performance, and some investors are interested in buying the shares, which can ultimately affect the stock price and stock liquidity). The results of this study are in line with the results of Stereńczak and Kubiak's (2022) research that stock liquidity can be caused due to dividend policy, dividend payments are associated with higher stock liquidity.

The Effect of ESG Score on Stock Liquidity

The test results obtained a regression coefficient of -0.000023 and a probability value of 0.0394. Because it is smaller than the significance level of 0.05 so H2 is accepted. This shows that there is a significant negative influence of *ESG Score on Stock* Liquidity in IDX 80 companies on the Indonesia Stock Exchange. A negative value of the coefficient indicates an influence that is neither unidirectional nor inversely proportional. This means that *Environmental, Social, Governance (ESG) practices weaken the liquidity of company shares or in other words, the higher the reporting of Environmental, Social, Governance* (ESG) practices, the liquidity of company shares will decrease. *ESG* Score is actually designed to provide transparent information on how companies manage environmental, social, and corporate governance aspects. But in this study ESG *Score* has a negative effect, this can happen because companies see the implementation of ESG as an obligation, where there are rules or regulations that require companies to carry out ESG practices. This obligation can be considered a financial burden for the company, as the company is required to allocate a portion of its profits to ESG practices. *ESG Score* can make companies have to change their business practices to meet ESG standards that have been set. If investors think this

change can hurt the company, investors are less interested in investing in the stock. Investors will evaluate whether the company has managed ESG risks well. If the information received by the investor indicates a significant problem or risk, the investor becomes less interested in buying or selling the stock, and this may affect the liquidity of the stock.

The negative influence of ESG on stock liquidity can be caused by several things, namely. First, based on the results of ESG research data, the sample company's score is still relatively medium, which is 32%. According to Aditama (2022), post-pandemic market conditions have become very dynamic so that management focuses more on conditions that are directly related to financial performance compared to non-financial performance. Second, there is still low attention from investors regarding issues related to ESG practices. The results of research by Tanjung (2022) show that lenders, investors, key stakeholders in Indonesia have not paid as much attention as investors in developed markets in responding to ESG-related issues. Third, regarding *greenwashing* practices in companies, this can trigger company management practices to be able to modify ESG disclosure reports to attract investor attention and improve company reputation. According to Yang et al., (2023) *greenwashing* behavior in companies refers to the disclosure of ESG information that is not in line with actual behavior by companies on environmental issues.

Investors will respond to this as a risk and reduce investor confidence in the company. When the risk of the company is high, investors will be careful in investing, which can make the company's stock liquidity decrease. According to research by Natsir et al., (2023) risks can cause instability in stock liquidity. The results of this study support Luo's (2022) research arguing that ESG ratings affect stock liquidity, companies with lower ESG earn higher returns than companies with higher ESG.

The Effect of Environmental Practices on Stock Liquidity

The test results obtained a regression coefficient of -0.000021 and a probability value of 0.0312. Because it is smaller than the significance level of 0.05 (alpha 5%), so H3 is accepted. This shows that there is a significant Environmental influence *on* Share Liquidity in IDX 80 companies on the Indonesia Stock Exchange. The value of the coefficient possessed by the *Environmental* is negative. A negative value of the coefficient indicates an influence that is neither unidirectional nor inversely proportional. This means that the increasing *environmental score* will reduce Stock Liquidity. This result is not in accordance with *the signaling theory* that the disclosure *of environmental scores* gives a positive signal to investors about the environmental aspects that have been carried out by the company, this is expected to increase investor confidence and a good assessment of the company. But investors still do not consider environmental practices to be important in stock investment decisions.

The negative influence of *environmental practices* on stock liquidity can occur because investors in Indonesia have not paid attention to environmental factors that can affect company performance. Investors consider environmental practices to be a burden on the company that will reduce the Company's profits. The positive impact of *environmental* practices is not directly reflected in stock liquidity if it is not accompanied by good corporate financial growth. The results of this study support research conducted by Luo (2022) argues that ESG ratings affect stock liquidity, companies with lower ESG earn higher returns than companies with higher ESG.

Analysis of the Effect of Social Practices on Stock Liquidity

Based on the results of the regression test, a regression coefficient of 0.000079 and a probability value of 0.4052 were obtained. Because it is greater than the significance level of 0.05 (alpha 5%), so H4 is rejected. The results of this study show that there is no significant Social influence on Stock Liquidity in IDX 80 companies on the Indonesia Stock Exchange. This result contradicts the *signaling* theory which explains that all forms of signals given by companies aim to get good value from investors, the higher the company's *social score* is expected the more investors are interested in investing.

The difference in theory with the results of this study can be caused because social practice can be seen its influence after the social practice is successfully carried out well. This is able to increase investor confidence and the wider community in the company. The purpose and implementation of social practices if not done properly will have an impact on the company, the implementation of bad or ineffective social practices can harm the company's image. In the implementation of social practices can change processes in the company's operations, besides social practices require a lot of costs, resources and considerable time. This makes some companies more likely to see social practices as additional costs that do not provide comparable financial results in the short term. Companies that focus on social practices can make companies take additional actions that will reduce short-term profitability. Investors will worry that this will harm the value of their investment, so investors are more careful in investing.

If social practices are not managed well or not consistently, it can create doubts for investors. This can lead to a lack of confidence and investors are reluctant to participate in stock trading. The results of this study support the research of Yue et al., (2023) having high or low ESG does not have a significant effect on stock liquidity risk.

The Effect of Governance Practices on Stock Liquidity

Based on the results of the regression test, a regression coefficient of -0.000011 and a probability value of 0.2805 were obtained. Because it is greater than 0.05, H5 is rejected. The results of this study show that there is no significant influence of *Governance on* Share Liquidity in IDX 80 companies on the Indonesia Stock Exchange. The results of this finding do not support the stakeholder theory that with the disclosure *of governance*, it is allegedly able to attract the interest and

attention of stakeholders to transact and become partners who encourage the running of the company's operations. The absence of this influence is because investors pay more attention to financial factors than non-financial factors in investing. This indicates that investors do not consider corporate governance practices and disclosures as one of the driving factors for investment decisions.

Changes in corporate governance may not directly affect the liquidity level of shares. Although Indonesia has regulations related to corporate governance, it has not been consistently carried out by all companies. Some companies put the interests of majority shareholders before the interests of minority shareholders. In addition, company information has not been transparent enough, making it difficult to monitor management actions in managing the company. The results of this study support the research of Yue et al., (2023) having high or low ESG does not have a significant effect on stock liquidity risk.

The Effect of Profitability on Stock Liquidity

Based on the results of the regression test, a regression coefficient of 0.002225 and a probability value of 0.0000 were obtained. Because it is smaller than the significance level of 0.0000<0.05 (alpha 5%), so H6 is accepted. The results of this study show that there is a significant influence of Profitability which is proxied by Return On Asset (ROA) on Stock Liquidity in IDX 80 companies on the Indonesia Stock Exchange. The value of the coefficient possessed by ROA is positive. A positive value of the coefficient indicates a unidirectional influence. This means that the increasing *Profitability* will increase Stock Liquidity. Investors are more attracted to companies with high profitability values, this is because profitability shows the company's ability to generate greater levels of profit and the company's operations are managed efficiently. *Return on Assets* can help management and investors to see how well a company is able to convert its investment in assets into profits or profits. High profitability will create investor confidence in the company's financial health. Investors invest to get high returns, the higher the company's profits, the higher the return that will be received by investors. In addition, companies that have good profitability will easily get capital, this can affect stock liquidity because companies that are easier to get capital can face liquidity problems easily. Companies that have good profitability have a more stable cash flow that can affect stock liquidity. The results of this study support research conducted by Chen et al., (2023) states that *Return On Assets* and stock liquidity have a significant positive relationship. Research by Lee and Yoon (2017) and Jiang et al., (2017) concluded that *Return on Assets* has a significant influence on stock liquidity.

The Effect of Leverage on Stock Liquidity

Based on the results of the regression test, a regression coefficient of -0.000025 and a probability value of 0.1409 were obtained. Because it is greater than the significance level of 0.1409>0.05 (alpha 5%), so H7 is rejected. The results of this study show that there is no significant effect of *Leverage* on Stock Liquidity

in IDX 80 companies on the Indonesia Stock Exchange. The absence of this influence can be caused by the use of *high leverage* , high *leverage* will have a higher risk characterized by greater debt costs and cause uncertain company profitability that can make it difficult for companies to make profits. Companies that depend on debt funding if they have a *leverage* level above 60%. While the sample company of this study has an average *leverage* value of 228%. This means that the sample company during this observation period relied on funding derived from debt to meet its source of funds. Companies that use high *leverage* have a higher risk of meeting payment obligations. In addition, the use of high *leverage* can make investors more cautious in investing and can affect stock liquidity. When *leverage* is used excessively or unwisely, it can contribute to low liquidity. The results of this study support research conducted by Waani and Natsir (2022) stating that *variable leverage* has an insignificant negative effect on stock liquidity.

CONCLUSION

Based on the test results, it can be concluded that there is a significant positive influence of the *Dividend Policy variable* which is proxied with the *Devidend Payout Ratio* (DPR) on Stock Liquidity; There is a significant negative influence of *ESG Score* variables on Stock Liquidity; There is a significant negative influence of *Environmental* variables on Stock Liquidity; There is no influence of *Social* variables on Stock Liquidity; There is no significant negative influence of *Governance* variables on Stock Liquidity; There is a significant positive influence of Profitability variables which are proxied by *Return On Assets* (ROA) on Stock Liquidity; There is no variable influence of *Leverage* proxied with *Debt to Equity Ratio* (DER) on Stock Liquidity in IDX 80 companies listed on the Indonesia Stock Exchange.

The implication for company managers is that they should be able to pay more attention to dividends distributed to shareholders and pay attention to the ESG Score, investors can respond to *the ESG Score* with caution because they think the company does not manage ESG risks well. If the information disclosed indicates a significant problem or risk, investors may become less interested in buying or selling shares, which may affect the liquidity of the shares. In addition, company managers should be able to manage the company well, so that company profits can increase. This can be done by increasing revenue from operational activities or by using costs more efficiently. For investors, before investing, it is necessary to see and evaluate the distribution of dividends from the company; need to see and evaluate related ESG *Score, Environmental, Governance* whether the company has implemented ESG practices in accordance with the standards that have been set; need to see and evaluate the company's financial performance before investing because investors like companies that have healthy financial performance and that can generate stable profits and tend to increase as well as prospects for the survival and development of the company in the future.

The study had some limitations. First, this study only used a five-year research period, 2018 to 2022. So that further research needs to add a research time

span to expand the object of research, so that the number of samples obtained is more so that the research results can be maximized. Second, the sample used in this study is IDX 80 companies consisting of several company sectors so that they have different characteristics. Subsequent research is recommended to use a sample of companies of different corporate sectors. Third, this study only limits the use of variables Dividend Policy, *ESG Score*, Profitability, *Leverage*, Stock Liquidity. Further research is recommended to add other variables that can affect stock liquidity. And substitute for insignificant variables in the study. Future research may consider the use of other variables such as *Age*, *Firm Size* such as research.

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