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Measurement of Share Performance in Companies Listed in the Sri Kehati Index

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ABSTRACT. The Sri Kehati index includes companies that have good sustainability performance. Companies that apply the concept of sustainability as a whole tend to positively influence company profitability and performance. In addition, an investor must evaluate the investment to be made. With regard to investment decisions, currently investors often use a combination of financial and social criteria known as Socially Responsible Investment (SRI). The purpose of this study is to measure the stock performance of companies that are consistently listed on the Sri Kehati Index for the 2020-2022 period. This study uses a quantitative approach with the type of data used secondary data. The population in this study are all companies listed in the Sri Kehati Index. This study uses a purposive sampling technique by taking a sample of companies that are consistently listed in the Sri Kehati Index for the 2020-2022 period. The results showed that there was an average Sharpe Index calculation result that was negative for 8 Sri Kehati Issuers and an average Sharpe Index calculation result that was positive for 8 Sri Kehati Issuers. The stock performance of 16 companies that have consistently been listed on the Sri Kehati Index for the 2020-2022 period has not all provided good stock performance. It can be interpreted that the joining of the 16 Issuers in the Sri Kehati Index does not determine and has no influence on the Company's Share Performance This study uses a purposive sampling technique by taking a sample of companies that are consistently listed in the Sri Kehati Index for the 2020-2022 period. The results showed that there was an average Sharpe Index calculation result that was negative for 8 Sri Kehati Issuers and an average Sharpe Index calculation result that was positive for 8 Sri Kehati Issuers. The stock performance of 16 companies that have consistently been listed on the Sri Kehati Index for the 2020-2022 period has not all provided good stock performance. It can be interpreted that the joining of the 16 Issuers in the Sri Kehati Index does not determine and has no influence on the Company's Share Performance This study uses a purposive sampling technique by taking a sample of companies that are consistently listed in the Sri Kehati Index for the 2020-2022 period. The results showed that there was an average Sharpe Index calculation result that was negative for 8 Sri Kehati Issuers and an average Sharpe Index calculation result that was positive for 8 Sri Kehati Issuers. The stock performance of 16 companies that have consistently been listed on the Sri Kehati Index for the 2020-2022 period has not all provided good stock performance. It can be interpreted that the joining of the 16 Issuers in the Sri Kehati Index does not determine and has no influence on the Company's Share Performance The results showed that there was an average Sharpe Index calculation result that was negative for 8 Sri Kehati Issuers and an average Sharpe Index calculation result that was positive for 8 Sri Kehati Issuers. The stock performance of 16 companies that have consistently been listed on the Sri Kehati Index for the 2020-2022 period has not all provided good stock performance. It can be interpreted that the joining of the 16 Issuers in the Sri Kehati Index does not determine and has no influence on the Company's Share Performance The results showed that there was an average Sharpe Index calculation result that was negative for 8 Sri Kehati Issuers and an average Sharpe Index calculation result that was positive for 8 Sri Kehati Issuers. The stock performance of 16 companies that have consistently been listed on the Sri Kehati Index for the 2020-2022 period has not all provided good stock performance. It can be interpreted that the joining of the 16 Issuers in the Sri Kehati Index does not determine and has no influence on the Company's Share Performance

KEYWORDS: Sri Kehati Index, Stock Performance

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INTRODUCTION

Background

Today's rapid economic progress often results in companies facing complex problems, including environmental issues such as extreme weather, climate change, and environmental damage as a result of unsustainable development. Current development tends to only focus on economic aspects, causing inequality and a decrease in environmental quality. According to Purnaningsih (2018), a company is considered good if in its operations it does not only seek profit, but also has concern for society and the environment, which is known as corporate sustainability. The concept of the triple bottom line put forward by Elkington (1997) emphasizes that companies have social responsibility which includes three aspects: profit, society, and the environment.

In the concept of corporate sustainability, the company will focus on planning a sustainable development strategy for the long term future of the company. According to (Aryani, 2019), corporate sustainability is a leadership and management approach adopted by companies to be able to generate profits for the company and simultaneously provide positive economic, social and environmental impacts. The concept of corporate sustainability describes the three pillars of sustainability, namely economic, social and environmental, as interrelated "nested systems" and then the company makes a separate report called the sustainability report with a detailed explanation of the corporate governance structure, stakeholder engagement and triple bottom line implementation (Aggarwal, 2013). The government issued Law no. 40 of 2007 article 74 paragraph 1 which stipulates that companies that carry out their business must carry out social and environmental responsibility. And Law no. 32 of 2009 concerning Environmental Protection and Management (UU PPLH) also emphasizes that companies in carrying out their business activities must apply the concept of sustainable development in order to meet the needs of current and future generations (Rahmi, 2021). In addition, there are several regulations issued by international organizations as a form of support regarding the application of the concept of corporate sustainability such as the United Nations Global Compact (UNGC), the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines.

The Sri Kehati index includes companies that have good sustainability performance. IDX and KEHATI feel it is important to promote the concept of sustainability as part of sustainable economic growth in Indonesia. The SRI-KEHATI index is a tool to encourage companies to pay attention to environmentally and socially friendly practices in their operations. This is the main reference for investment principles that focus on environmental, social and governance (ESG) issues in the Indonesian stock market , the SRI-KEHATI index is also the first green index in ASEAN and the second in Asia. Based on information obtained from the KEHATI Foundation website, since it was officially introduced by the IDX in 2009, The SRI-KEHATI index has shown better stock price performance compared to several main IDX indices such as the Jakarta Composite Index (IHSG) and the LQ index. The performance of the Sri Kehati Index and its comparison is shown in the following graph:

Source: www.kehati.or.id

With the various commitments that have been made by Indonesia, it is hoped that companies will be more active in implementing sustainable development.

According to Anggarwal (2013: 61), companies that apply the concept of sustainability as a whole tend to positively influence company profitability and performance. This finding is also in line with research by Desi (2020) which states that companies that publish sustainability reports show their concern for social and environmental issues to stakeholders and as a form of transparency to the public regarding company activities.

Sustainability is an important concept in this regard. In addition, an investor must evaluate the investment that will be made. Regarding investment decisions, investors currently use a combination of financial and social criteria known as Socially Responsible Investment (SRI). Socially responsible investment also occurs in Indonesia with the creation of an index called the SRI-Kehati Index in collaboration with the IDX. The creation of the SRI-Kehati index was triggered by environmental damage caused by several companies. The existence of the SRI-Kehati Index is expected to be an ethical index for SRI investors in order to be able to review the company's profitability performance which is supported by Environmental, Social, and Governance (ESG) performance.

This study will measure the performance of SRI-Kehati Index stocks using a reference market index, namely the Annual Closing Index in order to show whether investments that apply Environmental, Social, and Governance (ESG) can provide good performance. The reason for using the SRI-Kehati Index shares is because the SRI-Kehati Index is an index that accommodates issuers that have entered the criteria for implementing Environmental, Social, and Governance (ESG). So that the SRI-Kehati index shares also make concern for the environment as one of the benchmarks. In its implementation, the presence of the SRI-Kehati Index is expected that investors can determine and select issuers who are environmentally conscious, socially concerned, and have good corporate governance.

Identification of problems

How is the performance of the shares of companies listed on the Sri Kehati Index?

Research purposes

This study aims to find out how the performance of the shares of companies listed on the Sri Kehati Index. So that information can be useful for investors in choosing investments and also useful as a source of literacy.

LITERATURE REVIEW

Social Responsible Investment

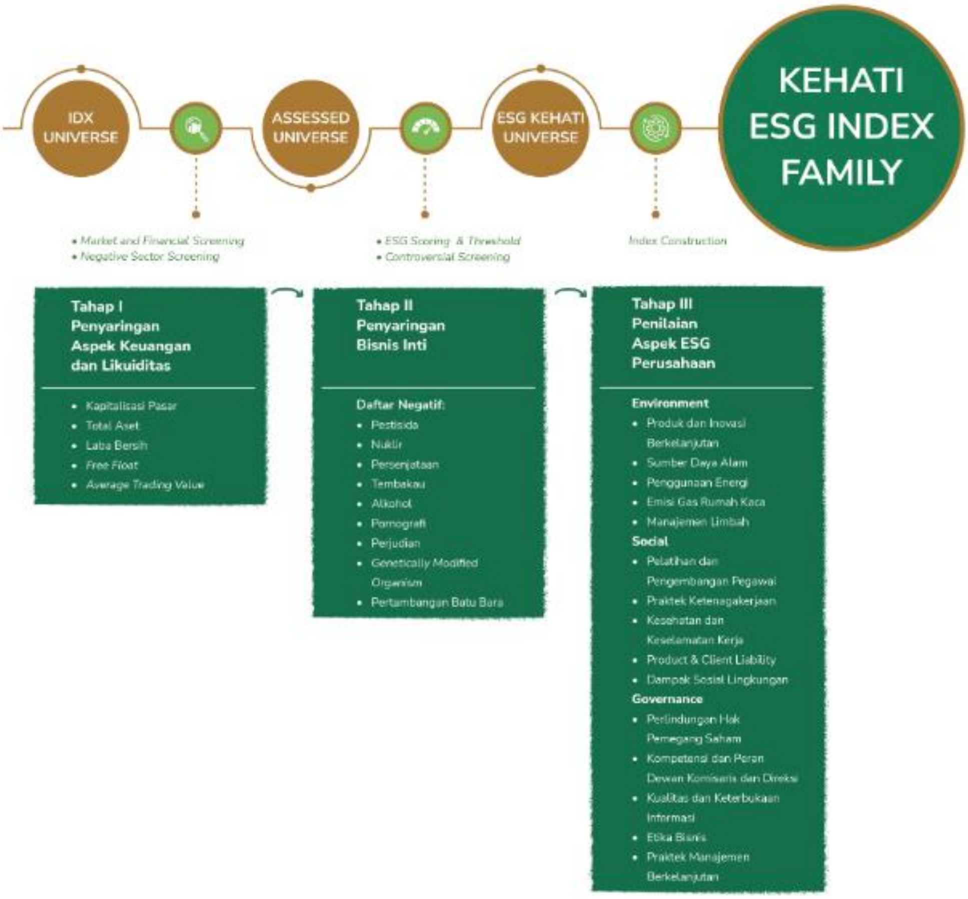
Social Responsible Investment (SRI) or socially responsible investment is a form of investment strategy that combines gains with virtue. Neoclassical economics assumes that investors consider two things in investment decisions, namely risk and expected return (Hickman et al., 1999). From the perspective of SRI (Socially Responsible Investment), it is not only centered on the relationship between return and investment risk, but also the impact of investment on ESG (environmental, social and governance). According to Plantinga and Scholtens (2001), the objectives of SRI investors can also be seen from the impact of investment on society. SRI investors choose companies that have a positive impact on the social, environmental and good governance environment (Renneboog et al., 2008).

Investors have reasons that they not only consider financial returns but also care about the importance of social values, the place of business, the characteristics of the company's goods or services, and how the business is run. This is the reason why focusing on the motivation of SRI investors requires a change in their mindset and personal belief in environmental, social and better governance without forgetting the risks and returns of investment (Zulkafli et al., 2017).

Sri Kehati (Biodiversity)

The SRI-Kehati index was introduced to the public on June 8, 2009. This index was formed according to the SRI procedures. The SRI-Kehati Index was created by the Kehati Foundation in collaboration with the Indonesia Stock Exchange (IDX). The base year used as the initial year for the index with a base of 100 (one hundred) was December 30, 2006 and was published by the IDX as the SRI-Kehati Index at position 116.946. The aim of introducing the SRI-Kehati index is so that the public has more alternative investment choices, especially investing in the Index, where this index describes companies that are economically profitable while taking into account environmental sustainability.

The mechanism for selecting companies to enter the SRI Kehati index is carried out twice a year through two stages, where the first stage is the initial negative selection process and from the financial aspect then the second stage is the fundamental aspect. In the first stage it is carried out to determine that the companies assessed meet the following assessment requirements:



Source: www.kehati.or.id

The assessment is carried out by reviewing secondary data as well as filling out questionnaires by companies that have gone through the various selection stages above, and other relevant data.

***Environment Social and Governance*(ESG)**

Environmental Social Governance (ESG) is a company standard in its investment practices which consists of three concepts or criteria, namely Environmental, Social (Social) and Governance (Corporate Governance). A company that applies ESG principles in its business and investment practices means that it will also integrate and implement company policies, so that it is in harmony with the sustainability of the three concepts.

Environmental Social Governance (ESG) is an initiative originating from the private sector that responds to pressures to create sustainable economic development. ESG concepts, standards and criteria are increasingly being used by investors at the regional to global level, as well as at the national level with the introduction of Sustainable Finance for the banking industry. Companies that carry out the concept and implementation of ESG criteria have become a basic consideration for investors in make decisions to invest or not in a business or company.

ESG criteria

ESG refers to three criteria that are closely related to the sustainability of the company. These three criteria are central factors in measuring the impact of sustainability and ethics in making decisions to invest in certain businesses and companies.

The three main factors in the implementation of Environmental Social Governance are:

1. Environmental Criteria (Environment)

   Environment in the ESG is a criterion that also discusses investors' considerations of company performance in an environmentally friendly manner such as the implications of the Environment (environment) criteria including energy use in a company, waste handling, pollution, conservation of natural resources, and behavior towards flora and fauna .

   Placement of the Environment criteria in the company's risk management, of course, will also minimize the risks potentially present from these environmental criteria. Environment criteria can also be used to evaluate a company's operation of a corporate entity. The company's commitment to meeting these criteria will have a positive impact on the company itself and on the environment. Companies will get sustainability in their business operations if environmental conditions are good and supportive.

2. Social Criteria (Social)

   The social aspect of ESG is a criterion that discusses the relationship between a company and external parties. Communities, communities, suppliers, buyers, media, and other related entities, directly or indirectly, are factors that need to be considered through the Social criteria in ESG.

   The factors from the Social criteria can have an impact on a company's financial performance. The company's image is influenced by whether the company is ready or not ready to adapt its position to social problems, such as a company must move actively to continue to explore the issues, rights and constraints experienced by its employees and laborers.

3. Criteria for Corporate Governance (Governance)

   Different from the Environment and Social criteria which discuss the company's relationship with external parties, the Governance criteria in the ESG focus more on how a company has a good and sustainable management process internally.

   Governance criteria discuss company activities, depending on the activities of management and company owners. Aspects that need to be considered in this criterion include company policies, company standards, culture, disclosure, information, audit and compliance processes.

   These factors can be a plus for companies that can give potential investors the confidence to invest in related companies such as corporate financial governance that is transparent, legal and does not violate ethical rights, of course, are things that investors always take into account.

Stock Performance Measurement

Stock Performance Measurement is a measurement made to measure the size of stock returns over a certain period of time. According to Sudarsini (in Hartono, 2009), stock performance is a measure of achievement that can be achieved by the management of company shares and reflects the health condition of the company. One of the common measurements of stock performance is by measuring the Sharpe Index.

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Sharpe Index

The Sharpe index (sharpe ratio) was introduced in 1966 by William Forsyth Sharpe. The Sharpe index is a method used to compare portfolio performance using the concept of the Capital Market Line and is also known as reward to variability (RVAR). In its development, the Sharpe Index can also be used to assess the performance of stocks or mutual funds. Ferruz et al., (2010) defines the Sharpe Index as a calculation in measuring the return on risk-free portfolio assets associated with total risk. The Sharpe Index measurement aims to evaluate individual portfolios or stocks with diversifiable risk.

Research conducted by Sauer (1997) used the Sharpe Index to measure socially responsible indexes on the DSI Index, the S & P 500 Index and the CRSP Weighted Price Index, as conventional index benchmarks. The results of this study indicate that there is a positive impact on SRI performance by using risk adjusted returns. With a higher Sharpe Index, the adoption of socially informed investment index options justifies that the Sharpe Index cannot eliminate the benefits of SRI diversification. Brzeszczynski and McIntosh (2014) used a modified Sharpe Index, based on the performance of British SRI stocks, to compare SRI portfolios and conventional benchmarks.

RESEARCH METHODS

This research is a type of quantitative descriptive research. The data used in this study is Secondary Data, which is Historical Data in the form of a consistent Company Annual Closing Index in the SRI KEHATI index from 2020 – 2022 obtained from www.yahoo.finance and also requires BI Rate Interest Rate Data obtained from www. .bi.go.id as well as the Composite Price Index Data for Sample Issuers obtained from the average consistent Annual Closing Index of Companies in the SRI KEHATI index from 2020-2022.

Population and Sample

The population in this study are stocks that are included in the SRI Kehati Index for the 2020-2022 period and the sample is stocks that are consistent in the Sri Kehati Index for the 2020-2022 period. The process for selecting the sample is by looking at the list of companies that are included in the SRI Kehati Index during the 2020-2022 period. Then selecting companies that are consistently listed in the SRI Kehati Index, so that 16 companies are selected that are consistently listed in the SRI Kehati Index for the 2020-2022 period as following :

Stocks that are consistently listed in the SRI Kehati Index 2020-2022

No	Code	Company name
1.	ASII	Astra International Tbk.
2.	BBCA	Bank Central Asia Tbk.
3.	BBNI	Bank Negara Indonesia (Persero) Tbk.
4.	BBRI	Bank Rakyat Indonesia (Persero) Tbk.
5.	BBTN	State Savings Bank (Persero) Tbk.
6.	BMRI	Bank Mandiri (Persero) Tbk.
7.	INCO	Vale Indonesia Tbk.
8.	INDF	Indofood Sukses Makmur Tbk.
9.	KLBF	Kalbe Farma Tbk.
10.	PGAS	State Gas Company Tbk.
11.	SIDO	Herbal Medicine and Pharmaceutical Industry Sido Muncul Tbk.
12.	SMGR	Semen Indonesia (Persero) Tbk.
13.	TLKM	Telkom Indonesia (Persero) Tbk.
14.	UNTR	United Tractors Tbk.
15.	UNVR	Unilever Indonesia Tbk.
16.	INTP	Indocement Tunggal Prakarsa Tbk

Source :www.idx.co.id

Method of collecting data

According to the data used, namely Secondary Data and using purposive sampling with consistent stock criteria in the SRI Kehati Index from 2020-2022, this study uses documentation techniques to record the Company's Annual Closing Index which is consistent in the SRI KEHATI index from the website www.yahoo.finance in the 2020-2022 period to measure stock performance.

Variable Operational Definitions

The Sharpe Index (RVAR) is a method used to measure stock performance based on how much investment return is obtained for each unit of risk taken or the average comparison between the difference between stock returns and risk-free returns with the total risk of a portfolio or a stock.

Formula :

$$RVAR = \frac{Ri - RFR}{\sigma i}$$

Information :

Ri = Return/Average stock return
return = Pt-(Pt-1)/Pt-1
RFR = Risk Free Rate is represented by the BI Rate
σi = Standard Deviations

RESULTS AND DISCUSSION

This section describes the results of research and discussion. The results of the research that has been carried out include measuring the performance of issuers' shares that are consistently listed in the Sri Kehati Index for the 2020-2022 period.

Measurement using the Sharpe Index or RVAR emphasizes the total risk or standard deviation. Standard Deviation which states how big or small the change in a stock's return on the average related stock return. Past data is used to predict future stock performance. The average past return is considered as a predictive return in the future and the standard deviation of past returns is considered as future risk. Based on average stock return data, standard deviation, and risk free rate, the results of calculating the stock performance of 16 stocks that are consistent in the SRI KEHATI index for the 2020-2022 period using the Sharpe Index measurement can be seen in the table below:

Stock Performance with the Sharpe Index for the 2020-2022 Period

No	Code	Sharpe Index			Average
		2020	2021	2023	
1	ASII	-1.407	-0.747	-0.462	-0.872
2	BBCA	-0.159	0.279	0.748	0.289
3	BBNI	-0.594	0.138	0.738	0.094
4	BBRI	-0.445	-0.245	0.729	0.013
5	BBTN	-0.947	-0.136	-1.162	-0.748
6	BMRI	-0.485	0.172	0.813	0.167
7	INCO	0.644	-0.208	0.819	0.418
8	INDF	-1.105	-0.712	0.053	-0.588
9	KLBF	-0.419	0.190	0.809	0.193
10	PGAS	-0.686	-0.509	0.561	-0.211
11	SIDO	0.777	0.165	-0.628	0.104
12	SMGR	0.027	-1.169	-0.378	-0.507
13	TLKM	-0.714	0.650	-0.444	-0.169
14	UNTR	0.612	-0.625	0.377	0.122

15	UNVR	-0.393	-1.056	0.200	-0.416
16	INTP	-1.128	-0.812	-0.966	-0.969
17	SRIKEHATI	-0.440	-0.950	0.324	-0.355

*Point 17 Sri Kehati is the Composite Sample Index of Sri Kehati Issuers

The table above shows that the results of the calculation of the Sharpe Index from the period 2020 to 2022 are in the minimum range of -1.407 by ASII issuers in 2020 to the maximum range of 0.819 by INCO issuers in 2022. Meanwhile, those who obtained the best average score based on the results the calculation of the Sharpe Index is INCO with an average value of 0.418. If the value of the Sharpe Index is positive or greater, the better the stock performance. In the 2020-2022 period, the results of the Sharpe Index calculation are negative. This means that not all of the stocks included in the SRI KEHATI Index have good stock performance because not all of them have a positive value. While there are 8 stocks that on average show negative performance, including ASII, BBTN, INDF, PGAS, SMGR.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

1. Based on the measurement results using the Sharpe Index measurement method, there are 8 stocks that show a positive value, which means they have good performance, namely BBCA (Bank Central Asia Tbk), BBNI (Bank Negara Indonesia (Persero) Tbk), BBRI (Bank Rakyat Indonesia (Persero) Tbk), BMRI (Bank Mandiri (Persero) Tbk, KLBF (Kalbe Farma Tbk), SIDO (Herbal and Pharmaceutical Industry Sido Muncul Tbk), UNTR (United Tractors Tbk), and INCO (Vale Indonesia Tbk).
2. Based on the measurement results using the Sharpe Index measurement method, there are 8 stocks that show a negative value, which means they have poor performance, namely ASII (Astra Internasional Tbk), BBTN (State Savings Bank (Persero) Tbk), INDF (Indofood Sukses Makmur Tbk), PGAS (Perusahaan Gas Negara Tbk), SMGR (Semen Indonesia (Persero) Tbk), TLKM (Telkom Indonesia (Persero) Tbk, UNVR (Unilever Indonesia Tbk), and INTP (Indocement Tunggal Prakarsa Tbk).
3. The stock that has the highest average value based on the Sharpe Index measurement is INCO (Vale Indonesia Tbk). And the stocks that have the lowest average value based on the Sharpe Index are INTP (Indocement Tunggal Prakarsa Tbk.)
4. Overall, stocks that are consistently listed on the SRI KEHATI Index have not all shown good stock performance. Of the 16 Issuer shares, there are still shares that have a negative value from the measurement results. It can be interpreted that the joining of the 16 Issuers in the Sri Kehati Index does not determine and has no influence on the Company's Share Performance.

Suggestion

1. Future researchers are expected to examine more sources or references related to the object under study so that the research results are even more complete.
2. It is hoped that the object of this research can be expanded further and not be limited to issuers listed on the Sri Kehati Index, but other issuers that are not listed on the Sri Kehati Index.

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