

ANALYSIS OF PROFIT QUALITY AND ESG: INVESTOR DETERMINANTS IN DECISION MAKING

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Abstract

This research aims to interpret the concepts of ESG and earnings quality in terms of their influence on investor decisions. Using an interpretive paradigm, this researcher tries to interpret the meaning of ESG factors and earnings quality by researching social phenomena. Data was obtained using in-depth interviews with lecturers, students and general investors who were key informants. The method used is the snowballing system. The interview results are grouped and data reduction is carried out before being analyzed and conclusions drawn or verified. Triangulation was also carried out using different question techniques asked to ensure the validity of the data to key informants. By using triangulation techniques, researchers ensure that the data obtained is valid. The results of this research found that ESG factors and earnings quality are interpreted in material terms, environmental and social responsibility and goodness or spirituality in the context of determining factors in investment decisions. Empirically, in a broader sense, ESG factors and earnings quality are not only interpreted as financial benefits but as a reflection of investor awareness of their positive impact on the environment and social and mutual benefits.

Keywords: *ESG; Earnings Quality; Investors; Environmental and Social Responsibility; Goodness or Spirituality.*

Abstrak

Penelitian ini bertujuan untuk menginterpretasikan konsep ESG dan kualitas laba dalam kaitannya dengan pengaruhnya terhadap keputusan investor. Dengan menggunakan paradigma interpretif, peneliti ini mencoba menginterpretasikan makna faktor ESG dan kualitas laba dengan meneliti fenomena sosial. Data diperoleh dengan menggunakan wawancara mendalam dengan dosen, mahasiswa dan investor umum yang menjadi informan kunci. Metode yang digunakan adalah *snowballing system*. Hasil wawancara dikelompokkan dan dilakukan reduksi data sebelum dianalisis dan ditarik kesimpulan atau diverifikasi. Triangulasi juga dilakukan dengan menggunakan teknik pertanyaan yang berbeda yang diajukan untuk memastikan keabsahan data kepada informan kunci. Dengan menggunakan teknik triangulasi, peneliti memastikan bahwa data yang diperoleh valid. Hasil penelitian ini menemukan bahwa faktor ESG dan kualitas laba dimaknai secara material, tanggung jawab lingkungan dan sosial serta kebaikan atau spiritualitas dalam konteks faktor penentu keputusan investasi. Secara empiris, dalam arti yang lebih luas, faktor ESG dan kualitas laba tidak hanya dimaknai sebagai keuntungan finansial saja tetapi sebagai cerminan kesadaran investor akan dampak positifnya terhadap lingkungan dan sosial serta manfaat bersama.

Kata kunci: ESG; Kualitas Laba; Investor; Tanggung Jawab Sosial dan Lingkungan; Kebaikan atau Spiritualitas.

Introduction

In current technological developments, the economy is faced with several issues that are of concern to several company stakeholders, including investors, such as issues regarding sustainable environmental and social impacts through sustainable investment schemes or often known as sustainable investment. The United Nations Environment Program Finance Initiative believes that sustainable investment is used to refer to various investments that take into account environmental, social and governance conditions which can be called ESG (Antonius & Ida, 2023). ESG is a company workflow that focuses on environmental, social and corporate governance principles, not just profit aspects. One of the triggers for the development of ESG is through investor awareness of the long-term positive influence that ESG brings in its application in companies.

Apart from ESG factors, investors are also starting to pay attention to earnings quality in their investment decisions. Theoretically in the field of accounting, quality is defined to measure the ability of profits in financial report exposure which

can describe the actual state of company performance and can also be used in estimating company profits in the future.(Kepramareni et al., 2021). Profits that have good predictions can be evidence of optimal reporting of company profits in the future. The phenomenon in this research is the concept of ESG and the quality of company profits which has become a new concern for investors regarding the long-term positive influence in its application in companies.

Companies that focus on implementing ESG will easily gain a brand image from the public so that they will have a positive influence on investors. Good ESG implementation has an impact on company performance and can be used by investors in analyzing new opportunities and managing long-term investment risks with the aim of avoiding companies that are seen as weak in aspects of environmental, social and governance performance. The determination of ESG in the company's economic aspects is expected to create harmony between the company's various focuses, such as socio-economic and environmental(Cakranegara, 2021)

Apart from that, (Kepramareni et al., 2021) describe that earnings quality has a

positive influence on company performance. Poor quality of company profits can influence the investment decision making of company stakeholders such as investors so that the value of the company decreases. On the other hand, high profit quality will attract the attention of shareholders to always invest their capital in the company, because it influences optimal profits and good company prospects in the future.

Several previous studies have proven that the application of ESG and attention to the quality of company earnings has a major impact on investor assessments. (Ghazali et al., 2020) proves that the implementation of ESG has a significant impact on company performance, paying attention to ESG can be considered a factor that can reduce risks in environmental, social and governance aspects. and can contribute to minimizing operational costs. However, several studies state that there is a negative influence of ESG on company performance, (Antonius & Ida, 2023) identifying that ESG which has low profitability is driven by high input costs and excessive investment.

On the other hand, (Saleh et al., 2020) proves that earnings quality can be used by investors to make investment decisions. Earnings quality has a positive relationship with investors' interest in purchasing shares because of their trust in a company that has a track record of consistent earnings quality and transparency. Long-term risk-oriented investors pay more attention to the quality of a company's earnings because it can influence the measurement of company performance, earnings power, and portfolios that produce better investments. (Ghazali et al., 2020)

Research regarding the application of ESG and earnings quality in investor decisions is still rarely discussed in previous research. The majority of previous research focuses on discussing ESG and earnings

quality separately, even though in reality, these two factors reinforce each other in the investor decision process. The current state of research focuses on exploring the link between ESG and earnings quality and is a gap in previous research that can influence investor behavior in managing their portfolios, such as the importance of transparency and strong and reliable ESG reporting as well as easy access to relevant ESG information that allows more attractive investors' attention. (Cakranegara, 2021)

The object of this research is investors among students and lecturers who have investment experience of more than one year. The reason researchers chose this object was because of ease of access in conducting research. Students and lecturers are an academic community that can be accessed relatively easily and have high relevance for the purposes of this research. Students and lecturers also have a greater possibility of helping provide new insights, valuable contributions to knowledge regarding ESG factors and earnings quality in investment decision making.

It is hoped that this research will be able to help company stakeholders, including investors, understand the integration of earnings quality and ESG factors which can have an impact on how investment decisions can be made better and wiser by linking these two dimensions together. However, it needs to be acknowledged that this research is still an initial step in a deeper understanding of the role of Earnings quality and ESG in decision making. The author will try to conduct comprehensive research to make it easier to understand how environmental, social and governance factors and earnings quality can contribute to influencing investment decisions. Not only that, with this research, researchers hope that it can become a new source of reference for researchers in the future to explore more deeply the contribution of ESG and earnings quality in the context of the global economy.

Research Method

This research utilizes an interpretive paradigm by seeking explanations originating from the perspectives and experiences of investing in the capital market carried out by the students and lecturers studied using a qualitative approach. This paradigm tries to naturally translate events that occur among students and lecturers at the Muhammadiyah University of Malang, East Java which are used as research objects. This research uses primary data sources in the form of interviews with students and lecturers who have investment experience of more than one year. Secondary data is in the form of journals that discuss the determining factors of investment decisions. The analysis members in this research were students and

lecturers at the University of Muhammadiyah Malang. This research consisted of 5 informants, consisting of 4 students from various departments and 1 lecturer who was a lecturer in capital markets courses. Data was collected through in-depth interviews with key informants appointed based on purposive sampling, namely students and lecturers who had experience investing in the capital market for more than one year. By applying the snowballing model, researchers hope that the data can meet the truth with the data coming from additional informants other than the data from the key informants studied. The following is a list of informants selected by researchers (names are not real names):

No.	Name	Age (Years)	Work as a	Investment Experience	Number of shares owned	Transaction frequency/month
	Venus Kusumawardana	32	Lecturer Capital Markets Courses	in 12 years old		
	Ridwan	23	Youth Investment Club	5 years	3 lots of BBKA shares worth Rp. 2,925,000, 200 lots of BRISS shares worth Rp. 50,800,000, MEDC worth IDR 10,000,000	
	Ahmad	22	Law student	5 years	100 lots of ASI shares worth IDR. 49,000,000 and 400 BRISS lots worth IDR 101,600,000	Approximately 7 Times
	Farrell	20	Management Student	3 years	2 Shares (MEDC & MDKA), each Rp. 4,000,000	2 to 3 times

Table 1.Main Informant

The informants above were selected based on the researcher's social relations and it can be ensured that the informants selected for interview are students and lecturers who have experience and

knowledge appropriate to the research problem. Data collection in this research used observation techniques by utilizing participant observation methods by researching directly with the informants

because the researchers were part of the students at the Muhammadiyah University of Malang. The researcher who acted as an experimental observer was tasked with carrying out experiments with the assistance of several informants who were studied by attending investment training classes at the Investment Gallery of the Muhammadiyah University of Malang. Carrying out some training and learning directly with informants are activities that researchers can carry out during these observations. Training that digs deeper into the world of capital markets and learns several factors about investor decisions that can be taken in making investments can be very interesting to discuss further, especially regarding the role of profit and ESG in making investment decisions.

Conducting further interviews with key informants is seen as being able to provide information by utilizing a snowballing system so that the data is confirmed by the informant's presence (Prasetyo, 2021). The main members of the informants who will be researched are students and lecturers at the University of Muhammadiyah Malang. Data from Information is obtained by providing several questions that will be asked with a guideline of example questions such as the view of the Company's profits according to investors, the influence of ESG in decision making, several investor considerations in making decisions, and behavior that can be carried out regarding the quality of profits and ESG of the Company as well as the consequences of making decisions. decisions whether wrong or right in the investor's portfolio can then be used to strengthen the link between earnings quality and ESG in decision making.

In carrying out data analysis, there are several analysis steps which consist of several stages, namely first, grouping and summarizing data, selecting key elements and focusing attention on important elements, identifying themes and eliminating elements that are not required. This is because the data obtained in the field

can be very large, so data reduction is needed to make analysis easier. Second, analyze the data provided by the informant by linking the theory to profit theory and ESG. This can make the task easier and help researchers synthesize data, find patterns and relationships in the data, and draw conclusions more easily.

The third is to triangulate the data to check the correctness of the data. This activity can be defined as examining data from different sources and in different ways at different times as well as for example a) Source Triangulation is useful for checking the reliability of data by verifying the data that has been collected. In this study, researchers tried to compare answers between students and lecturers by asking the same questions with different informant sources. In this way, researchers will easily find answers that are guaranteed to be correct, b) Triangulation Method, involves asking the same questions using different types of questions with similar meanings to build trust in researchers, relating to the consistency of answers that are guaranteed to be correct or not guaranteed to be correct. c) Time triangulation, carried out by asking the same questions for a certain period of time to see data consistency, and d) The snowballing system was implemented to consolidate data obtained from key informants by interviewing additional informants around them.

Fourth, draw conclusions about the influence of earnings quality and ESG as determining factors in investors' investment decisions. Conclusion is the stage where the researcher considers explanations for the patterns and relationships studied or draws contrasts and comparisons to address the problem formulation in this research.

Results and Discussion

Results

In review, it was found that ESG (Environment, Social, and Governance) and earnings quality were interpreted into 3 (three) meanings, namely a) ESG and earnings quality were interpreted materially,

b) ESG and earnings quality were interpreted psychologically, and c) ESG and the quality of profits is interpreted spiritually. Coding of review data using in-depth interviews with informants is as follows:

a) ESG and earnings quality are interpreted materially

The application of ESG (Environment, Social, and Governance) factors and earnings quality in making investment decisions has a system that is almost the same as the ESG (Environment, Social, and Governance) theory and earnings quality which is the Company's reference. In general, ESG is an important factor for measuring a company's intangible assets/economics from a non-financial perspective. ESG is a new concentration for investors to enter the world of investment by paying attention to the positive impact on the workforce, society and the surrounding environment. Meanwhile, regarding earnings quality, the better the quality of a company's earnings can describe the company's future business growth conditions so that it will have an impact on investors' high interest in investing. In review, it was found that there is a uniqueness in the ESG concept and earnings quality which are factors in investors' decision to invest. Investors who make ESG and earnings quality a consideration for investing will find it easier to assess the risks and opportunities of investing in the company. Companies that have poor ESG implementation will increase the risk of regulation, operational disruption and poor company assessment which will impact the quality of business profits. On the other hand, a company will have new market opportunities, increase investor attractiveness, and be able to compete competitively if it can implement ESG effectively. correct so that it can create good quality profits.

With this understanding, investors will usually assess company performance through annual financial reports or the target company's sustainability report regarding

ESG implementation and the consistency of company profits. As explained by Ridwan Amirul Rahmanty (Youth Investment Club):

"In my opinion, the quality of profits is one of the most important indicators for companies/issuers to see the development of their business, by breaking down their origins, they can determine the conditions for their business to grow and make a profit. Also look at the origin of the profit from the main business with recurring income or from other businesses/from one time profits only. Profit can also be used to predict future performance as a calculation of future business performance estimates. ESG factors are also important because they measure the company's intangible assets/economic moat from its non-financial side. This ESG factor is a major concern and a trend for global investors to invest in certain stocks. "So the goal is that when we invest in companies/issuers that also prioritize ESG, we also want to have a positive impact on society and the surrounding environment."

According to Ridwan Amirul Rahmanty, profit conditions are a crucial indicator in evaluating the business development of a company or issuer. Carrying out an analysis of the origin of profits can describe the current condition of the Company. Apart from profit quality, ESG factors are also very important by measuring non-financial assets and the company's economic moat, so that investors not only expect profits but also have a positive impact on society and the surrounding environment. Furthermore, as stated by informant Ahmad Raidi (as Founder of Bravo Stock and UMM Law Student)

"I am an oriented investor, the most important thing is profit first, but with the development of the ESG

era, I think it is becoming important because everyone is increasingly aware of how to be sustainable, how to be environmentally friendly, because ESG is important because its aspects are environmental, social and Corporate Governance, so for the long term I think ESG is important because if we consider ESG, we know how the company can be sustainable over a long period of time, the better their ESG, the longer the hope for the company's sustainability."

Measuring ESG implementation and the quality of company profits will help investors assess whether the company has good opportunities and prospects in the future. Besides that, ESG and profit quality can also be measured by where the profit comes from, the awards the company has received from both domestic and foreign stock indexes, as stated by Venus Kusuma Wardana (32 years) as a lecturer in the Capital Markets course. the interview,

"I measure it by profit growth, whether each quarter it increases or there is a decrease, I also see where the profit comes from (breakdown), whether from the main business, investment, or from business activities outside the main business. Usually it will be positive sentiment if it comes from a main business that is growing, if it comes from investment it will usually just be short-term sentiment/momentum, except for the investment company category. If the profit comes from other income, you need to double-check, I'm afraid it's from the business of selling company assets or from recording reports in the form of numbers only. For ESG factors, I usually look at the awards received by the company or issuer and from the ESG stock index (IDX ESG Leaders) or ESG index from abroad, but if I have additional information

such as direct interviews with employees or internal relations. I also included the company for its ESG assessment."

So, with a good analysis of the flow of profits and ESG assessment in terms of awards obtained, investors will have confidence in investing in the company, so investors do not need to have doubts about the sustainability of the company because of the company's stable financial performance and good predictions for the future, such as delivered by Dzaky Nabil (23 years) as a student,

"I will feel calmer and more confident if the company I invest in can implement ESG and good profit quality because it means they think long term and have a good commitment to all of the company's stakeholders"

So investors will be very calm if the company can implement ESG and materially good earnings quality. This can be seen as an indicator that the company is long-term thinking, has a commitment to creating value for all stakeholders and that there are good opportunities in the future.

b) ESG and Profit Quality are interpreted as environmental and social responsibility

In review, assessments regarding ESG and profit quality are not just abstract concepts, but have a real impact on financial performance and company value. Investors who consider ESG factors and earnings quality in their investment decisions can formulate decisions more informed and principled so as to produce long-term profits (Eccles et al., 2018). This statement is in accordance with the opinion of Farrell (20 years) as a student in his interview,

"When I decide to buy shares in a company, I usually look at how environmentally responsible the company is, how its profits are, whether they are stable or not, for example when I bought MEDC

shares I saw that they already have a company sustainability report about the emissions they produce, how they treat them. The workforce and profits are also stable, so from there I dared to buy shares."

In the statement above, it can be analyzed that investors also develop a sense of social and environmental responsibility when deciding to invest in a company through their awareness of participating in reviewing ESG implementation and the quality of the company's profits as revealed through its sustainability report. So they assume that their decisions will not harm the environment and society.

Apart from that, ESG factors and profit quality are interpreted as environmental and social responsibility through contributions to community development programs. Investors who are aware of the importance of the responsibility for implementing ESG and the quality of profits by companies assume that their investment decisions will contribute to the running of community development programs as stated by Ahmad Raidi (as Founder of Bravo Stock and UMM Law Student) as follows,

"When I invested in the ASII company, I really felt that I would also contribute to their social programs, because I saw that they had community development programs, for example they provided education and training for their employees, there were also scholarships for the local community, the company "They also build infrastructure such as roads, livable houses, bridges in villages around the company location, there are clinics too and they also have tree planting activities as well as education about environmental sustainability."

Based on a sense of responsibility regarding environmental and social impacts through community development programs, Ahmad

Raidi, a student and Founder of Bravo Stock, dared to invest his money to buy shares in the company. This sense of responsibility is also felt by other informants as investors, investors will be more comfortable and safe to invest in companies that have ESG implementation and good profit quality so that they can fulfill their responsibilities to the social environment. This is also supported by interviews with informants, namely Mr Venus Kusumawarda (32 years) as a lecturer in capital markets,

"I am sure that many investors want to invest responsibly and make a positive impact on the environment and social, so assessing ESG factors and profits as an impact on the environment and social of the company also needs to be considered, lest we as investors just carelessly buy shares "

From the statement above, it can be concluded that the sense of responsibility formed in investment decisions by investors is based on a sense of concern and awareness. Investors feel safer and more comfortable with disclosures about environmental and social responsibility through the implementation of ESG and earnings quality by companies. They assume that they have supported environmental and social responsibility programs through share transactions with companies that have government development programs and other programs that support the realization of corporate environmental and social responsibility. Based on this responsibility, it can increase investors' awareness to pay more attention to environmental and social responsibilities through ESG disclosure and the quality of company profits.

c) ESG and profit quality are interpreted spiritually and kindly

According to Investment, it is an activity of placing funds in one or more types of assets during a certain period with the aim of obtaining income or increasing

value. With this definition, some investors are still oriented solely towards seeking financial profits or increasing the value of the currency. Usually investors with such an orientation still adhere to traditional principles, they just want to see their money increase in value at any time. Lack of access to information and short-term priorities are also reasons why investors are still oriented towards financial gain.

With the development of technology and the many changes in views today, one of the meanings that is developing in investing is goodness or spirituality. This meaning develops in line with increasing investor awareness in carrying out transactions in the capital market. Investors are increasingly aware of companies' social and environmental impacts so they can contribute to the greater good. As Dzaky Nabil (23 years) said in his interview,

"Yes, that's right, before I invested in BRI, I first saw what contribution they made to the environment and society, it turns out they also care about poverty, people's health and they can also manage company waste. I think that's really good because it turns out we can also be involved in their good programs through stock transactions."

So, this shows that investors do research before investing by considering factors about the company's contribution to goodness. They realize that investment is not only focused on financial profits, but also looks at the positive impact they can create. Apart from being able to provide benefits to others, looking at the meaning of ESG and profit quality from a good perspective will also create economic stability and sustainable growth, this is supported by the following statement by Ridwan Amirul Rahmanty (Youth Investment Club),

"In my opinion, if the company sees the implementation of ESG and profits are not just from profit alone, that would be very good. Companies

that already have corporate sustainability reports and can apply ESG indicators covering economic, social and governance responsibilities will usually have long-term business lines and contribute equally to economic stability. "Usually, there are definitely a lot of investors who want to invest."

As explained in the interview above, economic stability can be the result of implementing good company ESG and quality profits without reducing their level of profitability. This statement is supported by the opinion of Farrell (20 years old) as a student in his interview,

"I think the company's foundation will be stronger if they succeed in implementing ESG in the company well and have good profit quality. "This will definitely attract customer loyalty and company resilience, the results of which will increase overall economic stability."

Good, future-oriented investors are not only concerned with aspects of financial gain, but they will also pay attention to how far their contribution in investing in the company is in terms of goodness and benefit to nature and others. Awareness of this goodness will influence decisions to invest in companies that make positive contributions through programs that care about social, economic and governance aspects. Awareness of the importance of this positive contribution forms a moral foundation for investors making investment decisions, making them agents of change that promote the principles of sustainability and corporate social responsibility.

Assessing ESG factors and earnings quality is not easy or fast. An investor must have in-depth knowledge regarding ESG assessment and earnings quality before deciding to invest. Several views are needed in the assessment, such as whether it is suitable for investment purposes, and whether it is good for the long term. Not only that, the company profile and business

flow also have the potential to influence the success of the ESG assessment and earnings quality. As mentioned above, ESG factors and earnings quality are considered in several aspects and perspectives such as material or accounting, as environmental and social responsibility and as a good or spiritual meaning. Although not all investors evaluate in this way, by considering the above perspective, investors feel more mature in their assessment. ESG and earnings quality assessed accountingly will provide an explanation of the impact and benefits of earnings quality and ESG for investors in both the short and long term.

Apart from that, awareness in analyzing how ESG is implemented and the quality of company profits will increase awareness of environmental and social responsibility through the company's positive contribution to environmental and community empowerment programs. So this will provide benefits both spiritually for investors and in general for fellow humans.

Discussion

Earnings Quality and ESG as determining factors for investor decisions and their implementation

In accounting theory, ESG is an important factor for measuring a company's intangible assets/economics from a non-financial perspective. ESG is a new concentration for investors to enter the world of investment by paying attention to the positive impact on society and the surrounding environment. Meanwhile, regarding earnings quality, the higher the company's profits can reflect the condition of the company's business growth, so it will have an impact on investors' high interest in investing. Investors are now increasingly aware that these factors can impact a Company's long-term performance and reputation. High profits, but obtained through business practices that are detrimental to the environment or society, can pose legal and reputational risks. Therefore, earnings quality cannot only be

measured from a purely financial perspective, but also from its impact on various aspects of sustainability.

The implementation of earnings quality and ESG in investor decision making involves a thorough analysis of the Company's financial reports, operational practices, and social and environmental policies. Investors tend to choose companies that not only have strong financial performance, but also have a commitment to responsible business practices.

The results of this research can generally answer research. The aim of this research is to describe the quality of earnings and ESG as determining factors for investor decisions and their implementation. The first meaning of earnings quality is to measure the long-term financial sustainability of the Company, while ESG according to Investors is the first to measure the Company's impact both in terms of the economy and the environment and governance data which will have an impact on the surrounding community.

Uniquely, investors use the meaning of Profit and ESG to estimate whether the results of decisions made can provide benefits and have a good impact on investors in investing in the long term. Empirically it was found that earnings and ESG assessment of ESG and earnings quality influences the environmental and social responsibility perspective which occurs when investors try to dig deeper into information regarding profit growth and ESG which ultimately becomes material for analysis. Investors will feel comfortable when they meet a company that has good ESG implementation and good profit quality so as to foster positive contributions and environmental and social responsibility through community empowerment programs, environmental awareness and others.

The two ESG factors and Earnings Quality are among the assessments that are deemed necessary and suitable for consideration before investing. Investors will feel satisfied and satisfied if a company

pays attention to ESG factors. Meanwhile, for earnings quality, it can make investors bolder in making investment decisions if they feel that the company's earnings development is considered good. The integration of ESG factors and assessing earnings quality has become key in the modern investment decision-making process. Investors now feel increasingly confident and satisfied when a company pays attention to ESG factors as an integral part of its business strategy. A company's involvement in sustainable business practices and social responsibility sends a positive signal to investors who take into account the long-term impact of their investments. Meanwhile, when considering earnings quality, investors tend to be bolder in taking investment steps if the company's profit growth and development is considered solid and consistent. Thus, these two factors are not only considered necessary, but also suitable as the main benchmarks for formulating sustainable and long-term investment decisions.

Thirdly, investment is an activity of placing funds in one or more types of assets during a certain period. With the aim of earning income or increasing value. Before

investing, there are several factors that must be considered so that the money invested can be ensured to achieve the investor's goals in a good way. Some investors will often dig deeper into how the money they invest will be managed by the Company until they can finally make a profit.

Empirically, investment can be defined as the concrete act of placing funds in one or more types of assets over a certain period of time, with the main aim of achieving income or increasing value. Before engaging in investment activities, several critical factors need to be considered so that the invested funds can effectively achieve the investor's goals. The investment decision process often involves digging deep to understand how the money invested will be managed by the company in question, with the hope of achieving optimal returns. Through empirical analysis, investors can ensure that their investment choices are based on concrete data and evidence, minimizing risks and increasing the chances of investment success in the long term. A deep understanding of how the company manages investor funds is key in ensuring the efficiency and effectiveness of the investments made.

Table 2.Earnings Quality and ESG Factors in Determining Investor Decisions

The Relationship between Earnings Quality Theory and ESG	Meaning of Earnings Quality and ESG	Implementation of Lab Quality and ESG
Profit quality and ESG factors in their influence on operational efficiency	Materially	Applying Profit and ESG (environmental, social and governance) quality in a material or accounting manner involves integrating these factors into the company's financial statements and accounting practices. Companies must ensure that quality Profit and ESG information is significant and relevant in their financial and operational context. This includes disclosures in financial reports, research into risks and opportunities related to Profit and ESG, measurement and reporting methods, external audits and verification, integration in accounting, and stakeholder engagement. This implementation is not only an ethical commitment, but also a smart

Profit quality and ESG factors in their influence as a meaning of responsibility	As environmental and social responsibility	<p>business strategy that allows companies to achieve long-term sustainability and meet stakeholder demands</p> <p>The implementation of ESG and profit quality as environmental and social responsibility is reflected in investor activities in making investment selection. Investors need to prioritize companies that demonstrate a real commitment to ESG principles through company policies, implemented programs and transparency in ESG reporting. Meanwhile, good and responsible profit quality is not only about financial profits, but about how these profits are obtained. Investors need to consider the social and environmental impacts of company operations before investing. This can be supported by investor awareness to divest from companies that have practices that can damage the environment or violate human rights.</p>
Profit quality and ESG factors in their influence on reputation and trust	As goodness or spirituality	<p>The spiritual application of Profit and ESG (environmental, social and governance) qualities reflects awareness as an agent of positive change in the world. This is in line with spiritual values that encourage individuals to use their resources for good. Investors can develop a deeper meaning related to goodness and spiritual values, thereby encouraging generosity and devotion. This can be supported by investing in companies that implement good ESG, such as caring about employee welfare, responsibility between people.</p>

Source: Process data

The application of Earnings Quality and ESG (Environmental, Social and Governance) in accounting does not just include integrating these factors into financial reports, but also places the state of earnings as a crucial indicator in assessing the progress of a company or issuer. Profit analysis is an important window to understand a company's actual condition, while ESG factors have a significant role in assessing a company's non-financial assets and economic competitiveness. Through this perspective, investors not only consider financial profits, but also pay great attention to the positive impacts that can be produced on the community and surrounding environment.

Social and environmental responsibility in implementing Earnings Quality and ESG is reflected in investment selection practices by investors. Investors tend to give priority to companies that demonstrate a clear commitment to ESG principles, including through company policies, implemented programs and transparency in ESG reporting. In addition, investors are also increasingly realizing the importance of considering the social and environmental impacts of company operations before making an investment. This awareness encourages divestment from companies that engage in practices that damage the environment or violate human rights.

Implementing Profit Quality and ESG (Environmental, Social and Governance) spiritually and kindly reflects awareness as an agent of positive change in the world. This practice is in line with spiritual values that encourage individuals to use their resources for good. Investors can cultivate deeper meaning in connection with the values of goodness and spirituality, ultimately encouraging generosity and devotion. This action is supported by investing in companies that implement ESG well, including caring about employee welfare and social responsibility among each other.

Conclusion

This research shows that ESG (Environmental, Social and Governance) factors have penetrated into a broader context where in investment decisions ESG factors and earnings quality are not only interpreted materially but can be interpreted more broadly in accordance with the social phenomenology that surrounds them. Investor awareness in analyzing the influence of investment in companies is interpreted as a relationship between environmental and social responsibility, and ESG factors and earnings quality are also interpreted as awareness or spirituality by individual investors. These meanings are formed due to social ties, awareness and development of thinking by investors in their investment transactions.

First, ESG factors and earnings quality are interpreted materially where investors assess financial performance more comprehensively, investors not only focus on short-term profitability, but also consider the company's long-term factors. Then companies that implement ESG and profit quality well will transparently disclose information related to their environmental, social and governance impacts in financial reports and public communications. This ultimately allows investors to obtain accurate information and make the right investment decisions. Furthermore,

investors use ESG information and earnings quality to assess the risks associated with their investments, for example companies that have an adverse environmental footprint may have higher risks and should.

Second, ESG factors and earnings quality are defined as an awareness of environmental and social responsibility reflected in concern for environmental and social issues. Investors understand that environmental pollution, social inequality and detrimental corporate governance can have a negative impact on society and the environment. By investing in companies that implement ESG principles and earnings quality well, investors contribute to creating a more sustainable and fair future.

Third, ESG factors and earnings quality are interpreted as good or spiritual, meaning that investors show their commitment to aligning their investments with moral and spiritual values. They understand that responsible investing is not just about financial returns, but also about creating a positive impact on the world and supporting the values they believe in.

This study provides theoretical and practical contributions. This research can provide a broader meaning of ESG factors and earnings quality in the context of investors' ease in making investment decisions. The various meanings of ESG and earnings quality in social phenomena found in this research can open up the practical mindset of investment actors in making their investment decisions. Apart from that, the limitation of this research is only analyzing the meaning of ESG and earnings quality in three meanings with a limited range of informants. For further research, you can conduct research in other fields in different ESG contexts and earnings quality. Suggestions for further research could be to focus more on researching what ESG factors support investment decisions and their correlation with other variables, so further research is also needed from an investor's perspective.

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