THE EFFECT OF DIVIDEND POLICY AND ESG PERFORMANCE ON COMPANY VALUE

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ABSTRACT

More recently, In the development of the business world, it is closely related to the principles or standards of business management to measure the level of risk or value of a company. This study aims to obtain empirical evidence on the effect of Dividend Policy and ESG Performance on Company Value. This type of research uses associative quantitative research using secondary data taken from the IDX website and the websites of each company listed on the Indonesia Stock Exchange for the period 2019 to 2023. The sampling method uses purposive sampling using several criteria according to research needs. The samples in this study were 6 companies with a total observation of 30 samples. Hypothesis testing was carried out using the Eviews 12 application. The results of the data analysis showed that simultaneously dividend policy and ESG performance had an effect on company value. While partially it showed that dividend policy had no effect on company value and ESG performance had an effect on company value.

Keywords: *Dividend Policy; ESG Performance; Company Value.*

ABSTRAK

Dalam perkembangan dunia bisnis akhir-akhir ini sangat erat kaitannya dengan prinsip atau standar manajemen bisnis untuk mengukur tingkat risiko atau nilai suatu perusahaan. Penelitian ini bertujuan untuk memperoleh bukti empiris mengenai pengaruh Kebijakan Dividen dan Kinerja ESG terhadap Nilai Perusahaan. Jenis penelitian ini menggunakan penelitian kuantitatif asosiatif dengan menggunakan data sekunder yang diambil dari situs web BEI dan situs web masing-masing perusahaan yang terdaftar di Bursa Efek Indonesia periode 2019 sampai dengan 2023. Metode pengambilan sampel menggunakan purposive sampling dengan menggunakan beberapa kriteria sesuai dengan kebutuhan penelitian. Sampel dalam penelitian ini sebanyak 6 perusahaan dengan jumlah observasi sebanyak 30 sampel. Pengujian hipotesis dilakukan dengan menggunakan aplikasi Eviews 12. Hasil analisis data menunjukkan bahwa secara simultan kebijakan dividen dan kinerja ESG berpengaruh terhadap nilai perusahaan. Sedangkan secara parsial menunjukkan bahwa kebijakan dividen tidak berpengaruh terhadap nilai perusahaan dan kinerja ESG berpengaruh terhadap nilai perusahaan.

Kata Kunci: Kebijakan Dividen, Kinerja ESG, Nilai Perusahaan

1. INTRODUCTION

During these years a lot of researches have been conducted, an increasingly complex and dynamic business environment, corporate financial policies and sustainability initiatives play a crucial role in determining firm value. Dividend policy, which reflects a company's decision on profit distribution, is a critical aspect of corporate finance that influences investor perception and market valuation. Meanwhile, environmental, social, and governance (ESG) performance has gained significant attention as stakeholders demand greater corporate responsibility and sustainability. This study aims to analyze the effect of dividend policy and ESG performance on company value, providing empirical evidence from relevant industries. By examining these factors, this research contributes to the ongoing discourse on corporate finance and sustainable investing and offering insight.
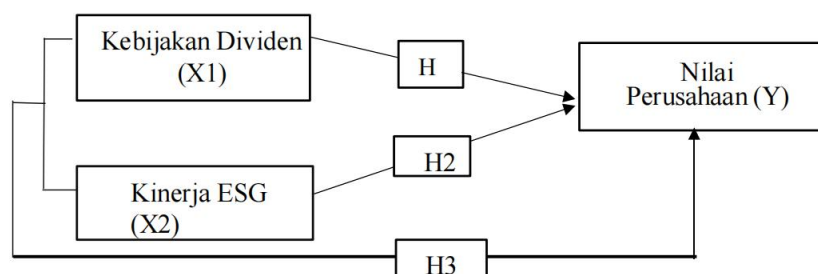

Figure 1 : Research framework.

Source : Self Proceed

Thus the author assumes that by using these dividend policy and esg performance, expect to be able to see how the second relationship and result in this variable in the short-term and long-term, as well as on the expected can see if there is a correlation between dividen policy and ESG performance on company value in this research. This research will be divided into 5 sections, where section 1 is for introduction, part 2 for literature review, part 3 for research methods, part 4 for results research and part 5 for conclusion research that has been funded.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS (IF ANY)

For literature pertaining to this study, the authors use as the basis of the literature as a basis for understanding the use of modeling in research methods that will be in use. One of them performed by Lyandra, et. al (2024) [1], Areta Xaviera, et, al. (2023) [2], Melinda and Wardhani (2020) [3] Marselina, H. et. Al (2023) [4] have focused on ESG performance. In addition to dividend policy, many of these studies incorporate profitability and leverage as key variables influencing company value.

Various research methodologies have been applied in these studies, including purposive sampling techniques to ensure relevant data selection. The debate on the relationship between dividend policy and company value remains prominent in financial literature. The signaling theory and agency theory suggest that dividend payments can positively impact firm value by reducing information asymmetry and mitigating agency

conflicts. However, the dividend irrelevance theory argues that in a perfect capital market, dividend policy does not influence firm value.

Simultaneously, ESG performance has emerged as a critical factor affecting company value. Firms with strong ESG commitments tend to have lower risk exposure, enhanced reputations, and increased investor confidence. Empirical evidence suggests that companies integrating ESG principles into their business strategies often experience long-term financial benefits, including improved valuation.

The effect of Dividend Policy and ESG Performance on Company Value by Signalling Theory

Dividend policy is a critical component of corporate financial decisions, influencing investor confidence and firm valuation. According to Signaling Theory (Spence, 1973), dividend payments serve as a signal of financial stability and future profitability. Meanwhile, according to the Dividend Irrelevance Theory (Miller & Modigliani, 1961) argues that in a perfect market, dividend policy does not affect firm value, as investors can generate their own cash flows by selling shares. Additionally, some studies highlight that excessive dividend payouts may reduce retained earnings, limiting future investment opportunities and long-term growth.

The effect of Dividend Policy and ESG Performance on Company Value by Legitimacy Theory

According Agus (2024:55) Legitimacy is defined as a social contract that regulates the relationship between a company and the surrounding community. Legitimacy theory describes how an organization's operational activities in the external environment can change automatically, especially in response to expectations, norms and social values that apply in the community where the company operates.

Studies by Melinda and Wardhani (2020) and Marselina et al. (2023) provide empirical support for this theory, demonstrating that firms with high ESG performance often experience enhanced market valuation. These companies benefit from increased investor trust, reduced regulatory risks, and lower capital costs (Friede, Busch, & Bassen, 2015).

The Intersection of Dividend Policy, ESG Performance, and Firm Value

According to Husnan and Pudjiastuti in the book excerpt "Company Value Determinants" (Nagian, 2021: 15). They argue that company value is the price that prospective buyers are willing to pay if the company is sold. Company value is a measure of the overall value of a company, or how the market values the company itself. This is a reflection of financial performance, growth prospects, and other factors that influence the value and sustainability of a business in the long term.

Martono and Harjito (2013: 13) explain that company value is very important because increasing company value means increasing prosperity for industry owners or company shareholders. The company's value can provide a good signal in the eyes of shareholders to invest their capital in the company and vice versa in the eyes of creditors or lenders, the company's value will provide an overview of the company's ability to pay its debts, thus providing a sense of trust for creditors to provide credit to the company.

One of the factors that can affect the value of a company is dividend policy. Dividend policy is a company's strategy in determining the distribution of profits to shareholders. The selection of this dividend policy depends on the company's strategy and investor expectations. Otherwise, a company can choose to pay dividends in the form of

additional shares rather than cash. This can be done as a way to conserve cash or to increase shareholder ownership.
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3. RESEARCH METHOD

Author research uses associative quantitative research using secondary data taken from the IDX website and the websites of each company listed on the Indonesia Stock Exchange for the period 2019 to 2023.

Data Analysis Method

In the method of this study, the analysis method used in this study uses a descriptive statistical test method in accordance with the data obtained, namely panel data. Therefore the Descriptive Statistical Test.

Selection of Panel Data Model Analysis Techniques

This Selection of Panel Data Model Analysis Technique is used to test the suitability and goodness of the three methods in the estimation technique with panel data, therefore the Chow Test, Hausman Test, and Lagrange Multiplier (LM) Test are used.

Hypotesis Test

Hypothesis testing is a decision-making method that is based on data analysis used to test the truth of a statistical statement and draw conclusions as to whether the statement is accepted or rejected. Hypothesis testing is a process for evaluating the strength of evidence from a sample so that decisions related to its population are made.

4. DATA ANALYSIS AND DISCUSSION

This study was conducted on companies listed on the Indonesia Stock Exchange (IDX) with certain criteria. The observation period conducted in this study was 2019 - 2023. The focus of this study is to see the effect of dividend policy and ESG performance on company value.

Descriptive Statistical Test

Descriptive statistics provide a description or description of data seen from the average value (mean), standard deviation, variance and maximum.

Table 1 : The Result of Descriptive Statistical Test

	Y	X1	X2
Mean	2.913896	91.53107	37.25467
Median	0.055790	0.475351	33.41500
Maximum	18.83536	1370.447	54.78000
Minimum	0.000130	0.000339	17.03000
Std. Dev.	6.461218	261.4610	11.96082
Skewness	1.831665	4.146201	0.027092
Kurtosis	4.428412	20.49670	1.620899
Jarque-Bera	19.32544	468.6231	2.381068
Probability	0.000064	0.000000	0.304059
Sum	87.41689	2745.932	1117.640
Sum Sq. Dev.	1210.673	1982493.	4148.774
Observations	30	30	30

Source : Self Proceed

Based on the results of the descriptive statistical calculations shown in the table above, the results show that the number of observations in this study are all companies that display ESG scores, namely 30 from 6 companies in the period 2019 - 2023. The dependent variable (Y) in this study is the company value which has a mean value of 2.913896. The median value is 0.055790. The maximum value is 18.83536. The minimum value is 0.000130. The standard deviation value is 6.461218. The skewness value is 1.831665. And the kurtosis value is 4.428412.

Selection of Panel Data Model Analysis Techniques
To test the suitability or goodness of the three methods in the estimation technique with the panel data model, the Chow test, the Hausman test, and the Lagrange multiplier test are used.

1. Chow Test
The Chow test is a test to determine whether the Fixed Effect Model (FEM) or the Common Effect Model (CEM) is most suitable for estimating panel data (Ghozali, 2018: 166).

Table 2 : The Result of Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.240323	(5,22)	0.0075
Cross-section Chi-square	20.245064	5	0.0011

Source : Self Proceed

Based on the results of the chow test, it shows that the probability (p-value) of Fcount and Chi-square are respectively 0.0075 and 0.0011, where this value is smaller than the predetermined significant value of 0.05, in short it can be written as 0.0075 and 0.0011 < 0.05. Therefore, the FEM model is chosen.

2. Hausman Test
According to Priyatno (2022) the Hausman test is a test to determine which of the Fixed Effect or Random Effect models is most appropriate to use. The basic criteria are if the probability value is > 0.05 then the Random Effect is accepted and if the probability value is < 0.05 then the Fixed Effect is accepted.

Table 3 : The Result of Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.723878	2	0.4223

Source : Self Proceed

Based on the results of the Hausman test, it shows that the probability of 0.4223 where this value is greater than the predetermined significant value of 0.05, in short it can be written as 0.4223> 0.05. The probability value is 0.4223> 0.05. So the selected model is the REM model.

3. Lagrange Multiplier Test

Lagrange Multiplier (LM) is a test to determine whether the random effect model or common effect model is the most appropriate to use. The significance test of this random effect model was developed by Breusch Pagan (Hadi and February, 2021:117).

Table 4 : The Result of Lagrange Multiplier (LM) Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	5.806285 (0.0160)	0.134491 (0.7138)	5.940777 (0.0148)
Honda	2.409623 (0.0080)	-0.366731 (0.6431)	1.444543 (0.0743)
King-Wu	2.409623 (0.0080)	-0.366731 (0.6431)	1.333071 (0.0913)
Standardized Honda	3.221064 (0.0006)	-0.073972 (0.5295)	-0.794760 (0.7866)
Standardized King-Wu	3.221064 (0.0006)	-0.073972 (0.5295)	-0.920234 (0.8213)
Gourieroux, et al.	--	--	5.806285 (0.0217)

Based on the results of the Lagrange multiplier test, it shows that the probability of 0.0160 where this value is smaller than the predetermined significant value of 0.05, in short it can be written as 0.0160 <0.05. The probability value is 0.0160 <0.05. So the chosen model is the REM (Random Effect Model). Therefore, based on the results of the Chow Test, Hausman Test, and LM Test. The model chosen in this study is the REM (Random Effect Model) model.

4. Model Conclusion

The conclusion of the model selection above, the result of the model selection selected in the panel data regression model used in this study is the Random Effect Model (REM). This is because in the chow test, the probability value is 0.0011 <0.05. Then in the hasuman test, the probability value is 0.4223> 0.05. And the value in the lagrange multiplier (LM) test is 0.0160 <0.05. So it can be concluded that the more appropriate model used in this study is the Random Effect Model (REM).

Hypotesis Test

Hypothesis testing is a decision-making method that is based on data analysis used to test the truth of a statistical statement and draw conclusions.

1. Parsial Test (T - Test)

This t-test is to test whether a hypothesis is accepted or rejected, by looking at the calculated t probability, when the probability < 0,05 significance level,

Table 5: Parsial Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.744563	3.693828	-1.555179	0.1315
X1	-0.004297	0.003282	-1.309083	0.2015
X2	0.242970	0.087579	2.774291	0.0099

Source : Self Proceed

1. The Effect of Dividend Policy on Company Value

Dividend Policy (X1) has a probability value of 0.7817 where the significant value is more than 0.05 or 0.2015 > 0.05. Ant-count> t-table, which is -1.309083 < 2.048407. So H1 and H0 are rejected, which means that dividend policy has no effect on company value.

2. The Effect of ESG Performance on Company Value

ESG Performance (X2) has a probability value of 0.0099 where the significant value is less than 0.05 or 0.0099 > 0.05 And t-count> t-table, which is 2.774291 > 2.048407. So H1 and H0 are accepted, which means that ESG performance has an effect on company value.

2. Simultan Test (F – Test)

If the F probability value <0,05 significance level, it can be concluded that the independent variables together have a significant effect on the related variables.

Table 6: Simultan Test

R-squared	0.259396
Adjusted R-squared	0.204537
S.E. of regression	4.179382
F-statistic	4.728367
Prob(F-statistic)	0.017354

Source : Self Proceed

Based on the table above, it can be seen that the probability value is 0.017354. Where the value of 0.017354 indicates a value that is 65 smaller than the predetermined significance level of 0.05 (0.017354 < 0.05). So it can be concluded that the independent variables of dividend policy and ESG performance have a simultaneous effect on the dependent variable of company value.

5. CONCLUSION & SUGGESTION

This study examines the effect of dividend policy and ESG performance as independent variables on company value as dependent variables. The data used as samples in this study are the financial reports of all sectors of companies listed on the Indonesia Stock Exchange during the period 2019 - 2023. Based on the discussion in the previous chapter, the following conclusions can be drawn from this study:

1. Dividend policy and ESG performance have a simultaneous effect on company value in companies listed on the Indonesia Stock Exchange for the period 2019 - 2023.

2. Dividend Policy (X1) has no effect on company value (Y) in companies listed on the Indonesia Stock Exchange for the period 2019 - 2023.

3. ESG performance (X2) has an effect on company value (Y) in companies listed on

the Indonesia Stock Exchange for the period 2019 – 2023.

The author realizes that this research is still far from perfect, so there are still many shortcomings that cannot be conveyed by the author. This research on Company Value in the future is expected to be able to realize better and sustainable results.

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