

The Influence of Environmental, Social, and Governance Performance on Dividend Policy Moderated by Industry Type

Ayu Rahma Dinni¹, Fajri Adrianto², M. Fany Alfarisi³

^{1,2,3}Master of Management Study Program, Faculty of Economics and Business, Andalas University, Padang, Indonesia

Email: ayurahmadinni24@gmail.com

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Abstract

Objective: This study aims to analyze the influence of Environmental, Social, and Governance (ESG) Performance on dividend policy, with Industry Type (manufacturing and non-manufacturing companies) as the moderation variable, in non-financial companies listed on the Indonesia Stock Exchange for the period 2011–2025. **Method:** Dividend policy was measured using the Dividend Payout Ratio (DPR), while Environmental, Social, and Governance performance was measured using ESG scores from the Refinitiv Eikon LSEG database. The sample was determined through purposive sampling of 10 non-financial companies (150 company-year observations), with profitability (Return on Assets), firm size, and leverage as control variables. Data were analyzed using panel data regression with a Fixed Effect Model approach and robust standard error. **Results:** Social Performance had a significant positive effect on dividend policy, and Industry Type was shown to moderate this influence, where the effect was weaker on manufacturing companies than non-manufacturing companies. Governance Performance had a negative but not significant effect on dividend policy, while Environmental Performance and the effect of Industry Type moderation on Environmental and Governance Performance were not found to have a significant effect. **Implications:** This study makes a theoretical contribution to enriching the literature on the role of industry types as a moderator of ESG relationships and dividend policies, as well as provides practical implications for company management, investors, and regulators in considering ESG performance, especially the social dimension, as one of the indicators of the sustainability of dividend distribution.

INTRODUCTION

In the era of globalization and the increasing pressure of climate change, *Environmental, Social, and Governance* (ESG) practices have become an important factor in business and investment decision-making. Environmental aspects include the management of carbon emissions and natural resources; social aspects related to human rights, workforce diversity, and corporate social responsibility; Meanwhile, the governance aspect includes transparency, business ethics, and the structure of the board of directors. Various international studies show that companies that are cooperative with ESG tend to obtain better long-term financial performance, wider access to capital, and stronger brand reputations (Zahid et al., 2023).

The dividend policy is one of the important financial decisions that reflects the company's commitment to a return on investment for shareholders. These policies have traditionally been influenced by financial performance, but in recent years non-financial aspects such as ESG have begun to play a significant role in determining dividend distributions (Dominique et al., 2025). From the perspective of *stakeholder theory*, companies that are able to maintain good relationships with employees, consumers, and the community tend to have a better reputation, thereby strengthening investor confidence in the sustainability of their profit sharing. Meanwhile, from the

perspective of *agency theory*, good *governance performance* can reduce agency conflicts between management and shareholders through stronger oversight mechanisms and better transparency (Matos et al., 2020).

A number of previous studies have examined the relationship between ESG performance and dividend policies with mixed results. Bilyay-Erdogan et al. found that companies with higher ESG performance tend to pay higher dividends through two channels, namely increased profits and decreased corporate risk (Matuszewska-pierzynka & Pieloch-babiarz, 2023). Zahid et al. (2023) in the context of Western Europe also found that companies with strong ESG practices tend to maintain their dividend payments. However, some other studies show that the relationship between ESG and dividend policy remains complex and ambiguous, because large ESG investments have the potential to reduce short-term profits, thereby lowering dividend policies (Lucas, 2020; Verga Matos et al., 2020; Dominique et al., 2025).

The influence of ESG on dividend policies is also suspected to be non-uniform across various industry sectors. In ESG (*high-impact/high-risk*) *sensitive and high-risk* industries, such as energy, mining, and chemicals, improving ESG performance is a strategic imperative to maintain operating licenses and reduce the risk of fines, so large ESG investments have the potential to be prioritized over dividend payments. In contrast, in *low-impact/low-risk industries* such as information technology, financial services, and retail, the allocation of funds for ESG is relatively less burdensome to dividend policies as in high-risk industries, and even the synergy between ESG and profitability can be realized more quickly into dividends. This phenomenon indicates that industry type has the potential to be a crucial moderation variable in explaining the relationship between ESG and dividend policy, but so far there has been little research exploring the role of moderation specifically, especially in the context of the Indonesian capital market and at the level of separate ESG dimensions (*environmental, social, governance*), rather than just a combined score.

The phenomenon of dividend policy in the Indonesian capital market itself shows symptoms that are not entirely consistent with the assumption that high dividends always reflect healthy fundamentals. Many issuers with high dividend yields come from the commodity sector, such as Indo Tambangraya Megah Tbk PT (ITMG), Bukit Asam (Persero) Tbk PT (PTBA), and Baramulti Suksessarana Tbk PT (BSSR), whose profits are highly dependent on fluctuations in global commodity prices, raising the question of whether the company can maintain *yields* above 5% when commodity price cycles decline, a condition that creates a risk of uncertainty for long-term investors (Nadya, 2026). Companies that consistently distribute large dividends (with high *Dividend Payout Ratios*) also tend to leave little profit for expansion purposes, which in the long run has the potential to hinder the growth of the company (*growth stock*), resulting in a kind of anomaly where investors want large dividends, but on the other hand stock price growth slows due to a lack of reinvestment. Theoretically, long-term stock investing aims to obtain a *Total Shareholder Return* (TSR) that is sourced from *Capital Gains* and *Dividend Yields*; stocks with yields above 5% are often seen as "*safe havens*" or instruments that resemble fixed income like bonds but still have the potential for asset growth, so investors expect companies that consistently distribute high dividends to also have healthy fundamentals and good *corporate governance*. This phenomenon is also the background for the importance of examining ESG performance, especially the governance dimension, as one of the factors that may also explain the sustainability of the company's dividend policy.

Based on the description above, this study was formulated to answer the question: how *does environmental, social, and governance performance* affect dividend policies in companies listed on the

Indonesia Stock Exchange, either directly or when moderated by industry types (manufacturing and non-manufacturing)? This study aims to analyze the direct influence of the three ESG dimensions on dividend policy and examine the role of industry-type moderation in each of these relationships. The novelty of this study lies in testing the influence of ESG on dividend policy separately in each pillar (*environmental, social, governance*) with industry type as a moderation variable in a sample of non-financial companies on the Indonesia Stock Exchange for the period 2011–2025, a combination of tests that have not been widely explored in previous ESG-dividend studies that tend to focus on aggregate ESG scores or moderators based on company size and state institutions.

METHODS

This study uses a quantitative approach with a causal associative method because it aims to determine the influence of ESG (*Environmental, Social, Governance*) performance on dividend policy, as well as test the role of industry-type moderation on this relationship. The quantitative approach was chosen because the research variables can be measured numerically and analyzed using statistical methods, so that the hypothesis can be tested objectively (Lita et al., 2023).

The research population is all companies listed in the Refinitiv Eikon database for the period 2011–2025 that have complete dividend policy data every year. The sample was determined through *purposive sampling techniques* with the following criteria: (1) companies listed on the Indonesia Stock Exchange in 2011–2025; (2) companies that actively report ESG performance and have complete dividend policy data for 2011–2025; (3) companies originating from the non-financial sector (not banks, financing, insurance, or securities companies), in order to maintain the consistency and comparability of the calculation of *the Dividend Payout Ratio*, considering that the financial sector is subject to the Minimum Capital Provision Obligation (KPMM) regulation of the Financial Services Authority which makes the dividend policy pattern fundamentally different; and (4) companies that represent the manufacturing and non-financial manufacturing sectors based on classification of *the North American Industry Classification System* (NAICS) on the Refinitiv Eikon LSEG, so that variations in industry types as moderation variables can be observed. NAICS was chosen as the basis for classification because it is an official standard jointly developed by statistical agencies of the United States, Canada, and Mexico, and is used by capital market regulators such as *the Securities and Exchange Commission* (SEC), as well as used in capital market research by Bhojraj et al. (2003).

The previous research sample was 13 companies, but it was reduced to 10 companies due to the unavailability of complete *ESG performance* data for the period 2011–2015 for three companies (HMSP, ICBP, and AKRA) in the Refinitiv Eikon LSEG database. The details of the ten sample companies are presented in Table 1.

Table 1. Research Sample and Industry Type Classification

Yes	Code	Company Name	Industry Type
1	ITMG. JK	Indo Tambangraya Megah Tbk PT	Non-manufacturing
2	TLKM. JK	Telkom Indonesia (Persero) Tbk PT	Non-manufacturing
3	ASII. JK	Astra International Tbk PT	Non-manufacturing
4	KLBF. JK	Kalbe Farma Tbk PT	Manufacturing
5	SMGR. JK	Semen Indonesia (Persero) Tbk PT	Manufacturing
6	UNVR. JK	Unilever Indonesia Tbk PT	Manufacturing
7	UNTR. JK	United Tractors Tbk PT	Non-manufacturing
8	PTBA. JK	Bukit Asam (Persero) Tbk PT	Non-manufacturing
9	ADRO. JK	Alamtri Resources Indonesia Tbk PT	Non-manufacturing
10	INDF. JK	Indofood Sukses Makmur Tbk PT	Manufacturing

Source: Based on the NAICS sector code on the Refinitiv Eikon LSEG (31–33 = manufacturing; other than = non-manufacturing).

The type of data used is secondary data sourced from the official website of the sample company as well as the Refinitiv Eikon LSEG database. The data collection method is carried out through non-participant observation, where the researcher is not directly involved in the observed activities, but only accesses and collects data on financial statements and annual reports of the company (Sekaran, 2016).

Variable Operational Definition

Dividend policy as a dependent variable is measured using *the Dividend Payout Ratio* (DPR), not the nominal value of dividends in Rupiah, because the DPR is relative so that it can be compared between companies with different profit scales and directly reflects the proportion of profits returned to shareholders (Awwalin et al., 2023). The House of Representatives is calculated by the formula:

$$DPR = \text{Dividend per Share} / \text{Net Profit per Share} \times 100\%$$

Independent variables consist of three ESG dimensions measured using scores from the Refinitiv Eikon LSEG database, namely: (1) *Environmental Performance* (EP), which measures how well a company manages the impact of its activities on the environment, including resource use, emissions, and innovation; (2) *Social Performance* (SP), which measures a company's attention and actions to its social responsibility to stakeholders, including labor, human rights, product responsibility, and community and society; and (3) *Governance Performance* (GP), which measures how a company organizes its management structures, processes, and practices to be transparent, accountable, and accountable, including board structure and independence, policy and compliance, shareholder rights, and risk management and internal controls.

Industry Type is used as a moderation variable, measured by *dummy* variables, i.e. 1 for manufacturing companies and 0 for non-manufacturing companies, based on NAICS

classification. This moderation variable is used to capture differences in sector characteristics, considering that each industry has different risks, regulations, capital needs, and business practices, so the influence of ESG on dividends can vary between sector contexts (Dominique et al., 2025). As control variables, this study included *Return on Assets* (ROA) to measure profitability, *firm size* measured by the natural logarithm of total assets to measure company size, and *leverage* measured by *Debt to Asset Ratio* (DAR) to measure the company's funding structure.

Data Analysis Techniques

The data was analyzed using descriptive statistics and panel data regression with the help of STATA 17.0. The selection of the best estimation model between *Common Effect Model* (CEM), *Fixed Effect Model* (FEM), and *Random Effect Model* (REM) was carried out through the Chow Test and the Hausman Test. Before hypothesis testing, a multicollinearity test was carried out using *the Variance Inflation Factor* (VIF) and a heteroscedasticity test using *the Modified Wald Test* (xttest3). The variables EP, SP, and GP are *mean-centered* before being formed into interaction variables with Industrial Type (EP×TI, SP×TI, GP×TI), following the standard procedure for moderation variables (Aiken & West, 1991), in order to reduce multicollinearity. Hypothesis testing is carried out through t-test (partial), F-test (simultaneous), and determination coefficient (R^2), with the regression equation model as follows:

$$DPR = \beta_0 + \beta_1 EP + \beta_2 SP + \beta_3 GP + \beta_4 (EP \times TI) + \beta_5 (SP \times TI) + \beta_6 (GP \times TI) + \beta_7 LONG + \beta_8 SIZE + \beta_9 LEV + \omega_i + \varepsilon$$

RESULTS AND DISCUSSION

Overview of Research Objects

This study uses secondary data in the form of *Environmental, Social, and Governance* (ESG) performance and *Dividend Payout Ratio* (DPR) from 10 non-financial companies listed on the Indonesia Stock Exchange for the period 2011–2025, sourced from Refinitiv Eikon LSEG, with details of 4 companies classified as manufacturing sector (Kalbe Farma Tbk PT, Semen Indonesia (Persero) Tbk PT, Unilever Indonesia Tbk PT, and Indofood Sukses Makmur Tbk PT) and 6 companies classified as non-manufacturing sectors (Indo Tambangraya Megah Tbk PT, Telkom Indonesia (Persero) Tbk PT, Astra International Tbk PT, United Tractors Tbk PT, Bukit Asam (Persero) Tbk PT, and Alamtri Resources Indonesia Tbk PT). The composition of this sample allows comparative analysis between manufacturing and non-manufacturing industry groups.

Descriptive Statistical Analysis

The following descriptive statistics describe the research variables during the period 2011–2025 (10 companies × 15 years = 150 company-year observations).

Table 2. Descriptive Statistics

Variable	N	Red	Std. Dev	Minimum	Maximum
Dividend Payout Ratio (DPR)	150	0,608	0,286	0,032	2,158
Environmental Performance (EP)	150	55,819	23,179	3,788	93,096

Variable	N	Red	Std. Dev	Minimum	Maximum
Social Performance (SP)	150	60,024	21,358	13,017	96,953
Governance Performance (GP)	150	53,223	19,500	11,358	88,982
ESG Score (combined)	150	57,095	18,244	13,186	89,644
Return on Assets (ROA)	150	0,133	0,102	0,002	0,448
Firm Size (Total Assets)	150	31,692	1,075	29,744	33,860
Leverage (DAR)	150	0,473	0,164	0,183	0,866
Industry Type (IT)	150	0,500	0,502	0,000	1,000

Source: Processed from Refinitiv Eikon LSEG data (10 sample companies, 2011–2025).

Table 2 presents the descriptive statistical results of all research variables. The *Dividend Payout Ratio* (DPR) variable has an average of 0.608 with a standard deviation of 0.286, a minimum value of 0.032, and a maximum value of 2.158, which shows a considerable variation in dividend distribution policies between sample companies. The maximum DPR value (2.158) is recorded at Unilever Indonesia Tbk PT in 2025. A search of official financial statements and information disclosure to the Indonesia Stock Exchange shows that this surge is not a data recording error, but reflects a *non-recurring corporate event* in 2025, namely UNVR set a dividend of 100% of the net profit for the financial year (interim Rp87/share and final Rp114/share, a total of Rp7.634 trillion) as a regular policy, as well as announcing a one-time additional dividend from the divestment of two business lines (business Ice Cream worth IDR 7 trillion and Sariwangi worth IDR 1.5 trillion), as confirmed by UNVR management in a public presentation on February 12, 2026 and the Summary of the Minutes of the AGMS on June 4, 2026. Because the cause can be traced to officially documented events, these observation values are maintained according to the original data, and their potential influence as *an outlier* is addressed through a statistical approach at the data regression stage of the panel.

The *Environmental Performance* (EP) variable has an average of 55,819, *Social Performance* (SP) has an average of 60,024, and *Governance Performance* (GP) has an average of 53,223, with a combined ESG Score of 57,095, which indicates that in general the sample companies have ESG performance in the middle category. The control variable *Return on Assets* (ROA) has an average of 0.133, *Firm Size* has an average of 31.692, and *Leverage* (DAR) has an average of 0.473, which illustrates the characteristics of the profitability, size, and funding structure of the sample companies during the study period.

Determination of Panel Data Regression Estimation Model

The selection of the best estimation model between *Common Effect Model* (CEM), *Fixed Effect Model* (FEM), and *Random Effect Model* (REM) was carried out through the Chow Test and the Hausman Test using STATA 17.0.

Table 3. Chow Test Results

Effect Test	Statistics F	D.F.	Prob.
Cross-section F	6,32	(9,131)	0,0000

Source: Data processed with STATA 17.

The results of the Chow test showed a statistical value of F of 6.32 with a degree of freedom (9.131) and a probability of 0.0000 (< 0.05), so that H_0 was rejected and the *Fixed Effect Model* (FEM) was more appropriate than the *Common Effect Model* (CEM).

Table 4. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. D.F.	Prob.
Cross-section random	52,77	9	0,0000

Source: Data processed with STATA 17.

The results of the Hausman Test showed a Chi-Square value of 52.77 with a degree of freedom of 9 and a probability of 0.0000 (< 0.05), so that H_0 was rejected and *the Fixed Effect Model* (FEM) was more appropriate than *the Random Effect Model* (REM). Because the Chow Test and the Hausman Test both lead to FEM selection, and the Chow Test has significantly chosen FEM over CEM so that the Lagrange Multiplier Test is no longer needed, the estimation model used in this study is *the Fixed Effect Model* (FEM).

Model Assumption and Suitability Testing

The variables *Environmental Performance* (EP), *Social Performance* (SP), and *Governance Performance* (GP) were *mean-centered* before being formed into interaction variables with Industry Type (EP×TI, SP×TI, GP×TI), following the standard procedure for moderation variables (Aiken & West, 1991), in order to reduce multicollinearity.

Table 5. Multicollinearity Test Results (VIF, after mean-centering)

Variable	VIVID	1/VIF
EP x TI (centered)	8,25	0,1211
SP x TI (centered)	6,81	0,1469
Environmental Performance (EP, centered)	5,16	0,1937
Social Performance (SP, centered)	3,80	0,2631
GP x TI (centered)	3,17	0,3155
Governance Performance (GP, centered)	2,62	0,3820
Leverage	2,28	0,4392
Firm Size	2,29	0,4359
LONG	2,07	0,4837
Industry Type	1,61	0,6221
BRIGHT RED	3,81	-

Source: Data processed with STATA 17.

The test results showed that the highest VIF value was possessed by the EP×TI interaction variable of 8.25, followed by SP×TI of 6.81, with an overall Mean VIF value of 3.81. Since all VIF values were below the 10 threshold, it can be concluded that there were no serious multicollinearity problems between independent variables in this study model.

Table 6. Heteroscedasticity Test Results (xttest3)

Test	Chi2 statistics	Prob. > chi2
Modified Wald test	96,37	0,0000

Source: Data processed with STATA 17.

The results of the Heteroscedasticity Test using *the Modified Wald Test* (xttest3) on the *Fixed Effect* model showed a Chi-Square value of 96.37 with a probability of 0.0000 (< 0.10), so that H_0 was rejected and there was a heteroscedasticity problem in the research model. To overcome this, the final model is estimated using *a robust standard error* adjusted for ten clusters (*cluster by id*) to produce a more valid and consistent estimate.

Hypothesis Testing

Hypothesis testing was carried out to determine the influence of *Environmental Performance* (EP), *Social Performance* (SP), and *Governance Performance* (GP) on the *Dividend Payout Ratio* (DPR), either directly or through interaction with Industry Type (IT) as a moderation variable, with ROA, *Firm Size*, and *Leverage* as a control variable. The test was carried out using Fixed Effect model panel data regression with *robust standard error*.

Table 7. Regression Results of Panel Data (Fixed Effect Model, Robust)

Variable	Coefficients	t-Statistics	Prob.
Constant	-1,4233	-0,76	0,449
Environmental Performance (EP)	0,0004	0,19	0,849
Social Performance (SP)	0,0056	2,08	0,039**
Governance Performance (GP)	-0,0028	-1,45	0,148
EP x TI	0,0040	1,21	0,229
SP x TI	-0,0117	-3,47	0,001***
GP x TI	0,0029	1,11	0,267
LONG	-0,4750	-1,13	0,260
Firm Size	0,0710	1,20	0,233
Leverage	-0,7888	-2,04	0,043**

Source: Data processed with STATA 17. Ket: *** significant at the 1% level ($p < 0.01$), ** significant at the 5% level ($p < 0.05$), * significant at 10% ($p < 0.10$).

Table 7 shows that *Social Performance* (SP) has a positive and significant effect on the House of Representatives with a coefficient of 0.0056 and a probability of 0.039 at a significance level of 5%. The SP×TI interaction variable had a negative and significant effect on the DPR with a coefficient of -0.0117 and a probability of 0.001, while *Leverage* had a negative and significant effect on the DPR with a coefficient of -0.7888 and a probability of 0.043. *Governance Performance* (GP) showed a negative coefficient of -0.0028 with a t-statistically of -1.45 and a probability of 0.148, which is statistically insignificant at the level of 10%. *Environmental Performance* (EP) shows a coefficient of 0.0004 with a probability of 0.849, which is also insignificant. The interaction variables of EP×TI (coefficient 0.0040; $p = 0.229$) and GP×TI (coefficient 0.0029; $p = 0.267$) were also insignificant.

Table 8. Summary of the F Test and Coefficient of Determination

Size	Value
F-statistik (robust, non cluster id)	F(18, 131) = 7.34
Prob (F)	0,0000
R-squared/Root MSE	0,5388 / 0,2069

Source: Data processed with STATA 17.

The F-statistical value of $F(18, 131) = 7.34$ with a probability of 0.0000 shows that the regression model is simultaneously significant in explaining the *Dividend Payout Ratio* (DPR) variable. An *R-squared value* of 0.5388 indicates that the independent variable in the model is able

to explain 53.88% of the DPR variation, with the Root MSE of 0.2069.

Table 9. Summary of Hypothesis Testing Results ($\alpha = 10\%$)

Hypothesis	Brief Statement	Coefficients	Prob.	Verdict
H1	EP has a significant positive effect on the House of Representatives	0,0004	0,849	Rejected
H2	SP has a significant positive effect on the House of Representatives	0,0056	0,039	Accepted
H3	GP has a significant positive effect on the House of Representatives	-0,0028	0,148	Rejected
H4	TI moderates the influence of the EP on the House of Representatives	0,0040	0,229	Rejected
H5	TI moderates SP's influence on the House of Representatives	-0,0117	0,001	Accepted
H6	TI moderates GP's influence on the House of Representatives	0,0029	0,267	Rejected

Source: Data processed with STATA 17.

Of the six hypotheses tested, two hypotheses (H2 and H5) were consistently accepted, while the other four hypotheses (H1, H3, H4, H6) were rejected based on the results of *the Fixed Effect* estimation with *robust standard error*. The first hypothesis (H1) was rejected ($p = 0.849$) because environmental performance has not yet been the main consideration for investors in the Indonesian capital market, possibly because the benefits are only visible in the long term and do not directly affect the cash flow available for dividends. The second hypothesis (H2) was accepted ($p = 0.039$), showing that good social performance drives higher dividends, consistent with *stakeholder theory* and the argument of reducing agency conflicts through *free cash flow*. The third hypothesis (H3) was rejected ($p = 0.148$); The *Governance Performance coefficient* has not been shown to have a significant effect on the DPR in this data, so both the *outcome model* and *the substitute model* do not receive strong empirical support from the research sample. The fourth and sixth hypotheses (H4, H6) were rejected ($p = 0.229$ and $p = 0.267$) because the Industrial Type was not proven to moderate the influence of EP or GP on the DPR. The fifth hypothesis (H5) was accepted ($p = 0.001$), showing that the influence of *Social Performance* on the DPR actually weakened in manufacturing companies compared to non-manufacturing companies, consistent with the argument of *capital intensity* in capital-intensive companies.

DISCUSSION

The Influence of Environmental Performance on Dividend Policy

The test results showed an *Environmental Performance coefficient* of 0.0004 with a t-statistic of 0.19 and a probability of 0.849 ($p > 0.10$), which means that it is statistically insignificant, so the H1 hypothesis was rejected. These findings indicate that the company's environmental performance in the research sample has not been the main consideration of management and investors in determining the amount of dividends distributed. This can be explained through two arguments. First, the benefits of environmental investments and initiatives (e.g. energy efficiency, emission reduction, or environmental certification) are generally long-term and do not necessarily increase *the free cash flow* available for distribution as dividends in the short term. Second, the level of disclosure and differentiation of *Environmental Performance scores* between non-financial companies in Indonesia is relatively not equal to the social dimension, so the variation in EP

scores in the research sample may not be large enough to explain the significant variation in the DPR (Boshnak, 2023). These findings are in line with Filman and Rahmayanti (2020), who also found that the environmental dimension is not a consistent predictor of dividend policy compared to the social and governance dimensions, and reinforces the arguments of Zahid et al. (2023) and Kim and Yang (2025) regarding the importance of analyzing each ESG pillar separately, rather than as an aggregate score.

The Effect of Social Performance on Dividend Policy

The test results showed a *Social Performance* coefficient of 0.0056 with a probability of 0.039 ($p < 0.05$), so that *Social Performance* had a significant positive effect on dividend policy and the H2 hypothesis was accepted at a significance level of 5%. These findings indicate that companies with better social performance tend to distribute higher dividends, consistent with *stakeholder theory* which explains that companies that pay attention to the interests of various stakeholders tend to gain greater support and trust from their shareholders. This result is also consistent with the argument that the implementation of social responsibility can limit managers' room to use *free cash flow* in a discretionary manner, so that profits are more distributed as dividends to shareholders. These findings reinforce the empirical evidence of Karki and Seth (2025) in India and Zahid et al. (2023) in the context of Western Europe, who both found that the social dimension of ESG tends to retain dividend payments as a form of orientation to stakeholders. Thus, among the three ESG dimensions, *Social Performance* is consistently the most relevant dimension in explaining dividend policy across capital market contexts, even being the only ESG dimension that has been proven to have a significant direct effect on the sample of this study.

The Influence of Governance Performance on Dividend Policy

The test results showed a *Governance Performance* coefficient of -0.0028 with a t-statistic of -1.45 and a probability of 0.148 ($p > 0.10$), which means that it is statistically insignificant, so the H3 hypothesis is rejected. The insignificance of the influence of *Governance Performance* can be explained through two arguments. First, the quality of corporate governance in the research sample has not varied enough or has not been the main differentiating factor in determining the amount of dividends distributed compared to social performance factors which have actually proven to be significant. Second, in the context of the Indonesian capital market, part of the research sample is state-owned companies (TLKM. JK, PTBA. JK, SMGR. JK) whose dividend policy is heavily influenced by the regulatory obligation to pay dividends to the state through the Non-Tax State Revenue (PNBP) scheme, a mechanism that is relatively independent of the company's internal governance score, so that the mixing of state-owned and private companies in one sample has the potential to statistically reduce the relationship between governance scores and dividend policies. This finding is different from Karki and Seth (2025) who found that *Governance Performance* has a significant positive effect on *dividend payout* in India, as well as with the *substitute model* argument from La Porta et al. (2000). The H3 findings are more appropriately interpreted as evidence that the direction and strength of the governance-dividend relationship is highly dependent on the institutional context and composition of each country's sample, in line with the argument of Dua and Sharma (2024) that the ESG-dividend relationship is moderated by the level of investor protection and regulatory enforcement of a country.

The Role of Industry Type Moderation (Manufacturing vs Non-Manufacturing)

The interaction of EP×TI and GP×TI was not significant ($p = 0.229$ and $p = 0.267$), so H4 and H6 were excluded; Industry Type has not been proven to moderate the influence of

Environmental Performance or *Governance Performance* on dividend policy. In contrast, the SP×TI interaction was significantly negative (coefficient -0.0117; $p = 0.001$), so H5 was accepted. This value shows that the influence of *Social Performance* on dividend policy in manufacturing companies is significantly weaker, even reversed, than in non-manufacturing companies that still show a positive influence. These findings are consistent with the arguments of *capital intensity* and *free cash flow theory* (Jensen, 1986; Ananzeh et al., 2024a, 2024b): capital-intensive manufacturing companies tend to hold back profits for reinvestment needs even if their social performance improves, while non-manufacturing companies whose capital expenditure needs are lower may pass on social performance improvements to more direct dividend increases. These findings are also supported by previous research with different moderation variables; Karki and Seth (2025) found that company size moderated the relationship between ESG performance and dividend payout ratio, while Dua and Sharma (2024) found that investor protection levels and regulatory enforcement played a role as moderators in the same relationship. This study enriches the literature by showing that Industry Type (manufacturing vs. non-manufacturing) is also a relevant contextual characteristic, particularly in the *Social Performance* dimension, a moderation perspective that has not been explored much in previous ESG-dividend studies.

CONCLUSION

This study aims to examine the influence of *Environmental, Social, Governance* (ESG) Performance on dividend policies moderated by Industry Type (manufacturing and non-manufacturing) in 10 non-financial companies listed on the Indonesia Stock Exchange for the period 2011–2025. Based on the results of the regression analysis of the *Fixed Effect Model* panel data with *robust standard error*, it can be concluded as follows: (1) *Environmental Performance* does not have a significant effect on dividend policy (coefficient = 0.0004; $p = 0.849$), so H1 is rejected; (2) *Social Performance* has a significant positive effect on dividend policy (coefficient = 0.0056; $p = 0.039$), so that H2 is accepted; (3) *Governance Performance* does not have a significant effect on dividend policy (coefficient = -0.0028; $p = 0.148$), so H3 is rejected; (4) The Type of Industry has not been proven to moderate the influence of *Environmental Performance* on dividend policy (interaction coefficient = 0.0040; $p = 0.229$), so H4 is rejected; (5) The Industry Type was shown to moderate the influence of *Social Performance* on dividend policy, where the effect was weaker on manufacturing companies than non-manufacturing companies (interaction coefficient = -0.0117; $p = 0.001$), so H5 was accepted; and (6) Industrial Type was not proven to moderate the influence of *Governance Performance* on dividend policy (interaction coefficient = 0.0029; $p = 0.267$), so H6 was rejected.

The findings of H2 and H5 reinforce the relevance of *stakeholder theory* and *free cash flow theory* (Jensen, 1986) in explaining dividend policy in the context of the Indonesian capital market, where corporate social performance is proven to be a tangible pathway linking sustainability practices with strategic financial decisions, and the strength of these relationships is proven to be different between manufacturing and non-manufacturing companies according to *the capital intensity* argument. On the other hand, the insignificant findings of H1, H3, H4, and H6 show that the influence of each ESG dimension on dividend policy is non-uniform, only the social dimension has consistently been shown to have a significant effect, either directly or through Industry Type moderation, while the environmental and governance dimensions have not shown a significant influence on this study sample. This study has limitations, including the sample size reduced from 13 to 10 non-financial companies due to the limited availability of historical ESG data (2011–2015)

in Refinitiv Eikon for three companies (HMSP, ICBP, AKRA), as well as an unbalanced composition of the sample between manufacturing (4 companies) and non-manufacturing (6 companies), so the results of this study need to be interpreted carefully and not generalized to all non-financial companies in the Indonesia Stock Exchange.

Based on the results of this study, several suggestions can be made. For the next researcher, it is recommended to expand the number of company samples by considering the availability of historical ESG data from the beginning of the data collection process, as well as further exploring other factors that may affect the relationship *between Environmental Performance and Governance Performance* and dividend policies, including separating the sample of state-owned and private companies in future research. For companies, it is advisable to continue to improve social *performance* as one of the strategies to strengthen shareholder confidence and support the sustainability of dividend policies, especially for non-manufacturing companies, while manufacturing companies need to consider the balance between reinvestment needs and commitment to shareholders. For investors, it is recommended not only to look at ESG scores in aggregate, but also to look at the scores in each dimension (*Environmental, Social, Governance*) separately, considering that the influence of the three on dividend policies is not uniform. For regulators, especially the Financial Services Authority and the Indonesia Stock Exchange, it is recommended to encourage further review and standardization of issuers' ESG disclosures, especially in the social dimension that is proven to be most relevant to financial decisions, so that the information available to investors is more useful in assessing the company's dividend policy.

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