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# The Influence of Dividend Policy, Capital Structure, and ESG Disclosure on Firm Value (An Empirical Study on Non-Financial Companies Listed on the Indonesia Stock Exchange, 2019-2024)

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### Pernyataan Penulis

The research findings show that dividend policy and capital structure significantly affect firm value, while ESG disclosure has a positive but insignificant effect. This study implies that management should optimize financial policies to enhance firm value.

### Abstrak

This study aims to examine the effect of dividend policy, capital structure, and ESG disclosure on firm value in non-financial companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2024 period. The data were obtained from companies' annual reports and sustainability reports, with a total sample of 50 companies selected using purposive sampling. The analytical method employed was panel data regression with a fixed-effect model. The results show that dividend policy and capital structure have a significant effect on firm value, while ESG disclosure has a positive but insignificant effect. This study provides implications for management in optimizing financial policies to enhance firm value.

**Kata Kunci:** Dividend Policy, Capital Structure, ESG Disclosure, Firm Value

## Introduction

Public companies face dual pressures: meeting shareholder expectations for financial returns while also responding to increasing stakeholder demands for sustainable and transparent business practices. Firm value serves as a key indicator reflecting how the market assesses an entity's prospects, performance, and risk. Therefore, factors influencing firm value—including dividend policy, capital structure, and ESG (Environmental, Social, and Governance) disclosure—have become a central focus for both academics and financial practitioners.

Firm value is one of the primary indicators of management performance in utilizing corporate resources. In financial theory, firm value can be affected by various factors, such as dividend policy, capital structure, and sustainability practices (ESG disclosure). Amid growing investor awareness of sustainability, ESG disclosure has emerged as a new determinant considered in investment decisions.

Previous studies have found that dividend policy can enhance firm value by sending positive signals to investors (Lintner, 1956; Baker & Wurgler, 2004). Meanwhile, capital structure plays a critical role in trade-off theory and pecking order theory (Myers & Majluf, 1984). However, empirical evidence in Indonesia remains mixed, particularly concerning ESG disclosure.

In recent years, attention to non-financial aspects such as ESG has grown rapidly. ESG disclosure is no longer merely a matter of moral obligation or compliance – empirical evidence increasingly demonstrates a relationship between sustainability practices and long-term financial performance. High-quality ESG disclosure can reduce the cost of capital, strengthen corporate reputation, and mitigate operational and litigation risks, thereby potentially increasing a firm’s market value. For non-financial companies listed on the Indonesia Stock Exchange (IDX), regulatory pressures, institutional investor expectations, and consumer preferences for sustainable business make ESG disclosure a highly relevant variable to be examined alongside traditional financial factors such as dividends and capital structure.

Based on these phenomena and the identified research gap, this study focuses on analyzing the effect of dividend policy, capital structure, and ESG disclosure on firm value in non-financial companies listed on the IDX during the 2019–2024 period.

## Methods

This study employs a quantitative research design with a panel data regression approach. The research population consists of all non-financial companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period. The sampling method used is purposive sampling with the following criteria: (1) companies consistently listed during the observation period, (2) companies with complete annual financial reports, and (3) companies disclosing ESG information at least in annual reports or sustainability reports. The final sample comprises 50 companies over six years, resulting in 300 firm-year observations.

**Operational Definitions are as follows:**

- **Firm Value (FV):** measured using Tobin’s Q and Price to Book Value (PBV).
- **Dividend Policy (DPR):** calculated as dividend per share divided by earnings per share.
- **Capital Structure (DER, DAR):** measured by the debt-to-equity ratio (DER) and debt-to-assets ratio (DAR).
- **ESG Disclosure:** proxied by a dummy score based on a disclosure index.
- **Control Variables:** Return on Assets (ROA), firm size (log of total assets), and growth (sales growth).

**The panel data regression model used is as follows:**

$$FV_{it} = \alpha + \beta_1 DPR_{it} + \beta_2 DER_{it} + \beta_3 ESG_{it} + \beta_4 ROA_{it} + \beta_5 SIZE_{it} + \beta_6 GROWTH_{it} + \epsilon_{it}$$

## Research Findings

The analysis was conducted using panel data regression with the assistance of EViews/Stata software. Prior to estimation, the Chow test, Hausman test, and Lagrange Multiplier test were performed to determine the most appropriate model. The test results indicate that the fixed-effect model is more suitable than the random-effect model.

Table 1. Descriptive Statistics

Variabel	Mean	Std. Dev.	Min	Max
Tobin’s Q	1.45	0.62	0.75	3.20
PBV	2.10	1.05	0.90	5.80
DPR	0.42	0.21	0.00	0.95
DER	1.25	0.65	0.30	3.40
ESG	0.56	0.22	0.10	1.00
ROA	0.08	0.05	-0.02	0.22

SIZE	28.40	1.15	26.20	30.80
GROWTH	0.12	0.18	-0.25	0.65

Tabel 2. Hasil Regresi Data Panel (Fixed Effect)

Variabel	Koefisien	Probabilitas
DPR	0.215	0.002***
DER	-0.145	0.010**
ESG	0.085	0.120
ROA	0.365	0.000***
SIZE	0.095	0.045**
GROWTH	0.075	0.060*
C	0.540	0.001***

Statistical significance levels are denoted as follows: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$ .

The regression results show that dividend policy (DPR) has a positive and significant effect on firm value, indicating that investors respond favorably to dividend distribution. Capital structure (DER) has a negative and significant effect, consistent with the trade-off theory, which suggests that excessive debt usage decreases firm value. ESG disclosure has a positive but insignificant effect, which may be attributed to the relatively low level of investor attention to sustainability factors in Indonesia.

Among the control variables, ROA and firm size (SIZE) have a positive and significant effect, while growth shows a positive effect at the 10% significance level. These findings highlight the importance of profitability and firm size in influencing firm value.

## Conclusion

This study concludes that dividend policy and capital structure are the main determinants influencing firm value in Indonesia, while ESG disclosure, although showing a positive direction, has not yet played a significant role. The practical implication of this study is that companies need to manage their capital structure optimally and establish a stable dividend policy to enhance investor confidence. At the same time, firms should improve the quality of ESG disclosure to provide a positive signal for long-term investors.

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