

ABSTRACT

This research investigates the influence of Environmental, Social, and Governance (ESG) factors on the dividend payout ratios of corporations in the ASEAN-5 region between 2019 and 2022, with profitability considered as a control variable. The dividend policy is represented by the Dividend Payout Ratio (DPR). In the study, each ESG component is treated as an independent variable. The scores for the environmental, social, and governance aspects are derived from the company's sustainability reports, while profitability is measured using Return on Assets (ROA). The control variables related to this study are Liquidity (described by current ratio), Total Assets, and Leverage (described by total debt/total assets).

The study's population includes all enterprises within the ASEAN-5 region. Using purposive sampling, 596 data points were collected from 149 companies. The data were sourced from financial statements available on Bloomberg. The analysis was conducted using the partial least squares (PLS) method, with the SmartPLS 3.2.9 software utilized for model evaluation, encompassing both outer and inner models.

The study reveals that the Environmental Pillar has a negative effect on productivity directly, the Social Pillar has a positive effect on labour sharing, and the Governance Pillar has a positive effect on dividends directly. The relationship between Environmental Pillar and DPR when ROA is the intervening variable has a positive effect. ROA mediates the two variables fully (full mediation). The relationship between Social Pillar and DPR when ROA is the intervening variable has a negative effect. ROA proved to be unbiased to be the intervening variable of the two variables (unmediation). The relationship between Governance Pillar and DPR when ROA is the intervening variable has a positive effect. ROA mediates the two variables partially (partial mediation). Control variables that affect DPR are liquidity and total assets.

Although profitability does not directly affect DPR, it can serve as an intervening variable in the relationship between ESG factors and dividend policy.

Keywords: Environmental Pillar, Social Pillar, Governance Pillar, Dividend Payout Ratio, Profitability