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THE INFLUENCE OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ON DIVIDEND PAYOUTS IN BANKING SECTOR COMPANIES IN INDONESIA

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Abstract

This study aims to gain insight into the influence of environmental, social, and governance on dividend payout, assuming that the environmental, social, and governance factors of an organization are the most important criteria that drive dividend payout. The data used in this study are secondary data sourced from the annual reports of banks listed on the Indonesia Stock Exchange (IDX) from 2023 - 2024. The research sample consists of 17 banks with a total of 34 data that met the criteria. This study uses multiple linear regression analysis on panel data to evaluate the relationship between independent and dependent variables using E-Views 9 software. The results of this study indicate that Environmental Social and Governance Performance (ESG) is not significant to Dividend Payout, Leverage is significantly positive to Dividend Payout, Cash Ratio is significantly negative to Dividend Payout, and Return on Asset is significantly positive to Dividend Payout. The implications of this research can be useful for managers to evaluate performance and financial strategies that affect Dividend Payout and also for investors to consider external factors such as economic conditions.

Keywords: Environmental Social, Governance Performance, Leverage, Cash Ratio, Return on Asset, Dividend Payout, Indonesia Stock Exchange

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INTRODUCTION

Companies with strong environmental, social, and governance performance often have better financial health, characterized by abundant free cash flow and a lower risk profile. This can increase their appeal to investors focused on stability and the potential for high dividend payouts (Karki & Seth, 2024). companies that focus on environmental, social, and governance practices rather than maximizing shareholder value can use increased dividend payouts to reassure shareholders of their sustainability commitments and provide shareholders with information on the quality of financial earnings (Syahid et al., 2024). In addition, the implementation of a dividend distribution policy is a significant tool in mitigating agency costs (Syahid et al., 2024). Therefore, it is important to think critically about environmental, social, and governance performance as well as dividend payments because they affect overall financial performance, cash levels, growth prospects, and reputation (Tripopsakul, 2025).

Environmental, Social, and Governance (ESG) has become a crucial framework for promoting sustainability and corporate governance across various sectors, including the banking industry. The implementation of ESG in banking plays a strategic role because banks act as intermediary institutions that can influence the direction of sustainable financing and environmentally friendly business practices (Jiménez, 2025). In addition, global pressure on climate change, social protection, and governance accountability is pushing banks to increase transparency and ensure that financing activities do not pose environmental or social risks to the community (VURAL YAVAŞ, 2020). In line with this, international financial institutions such as UNEP FI emphasize that ESG integration into bank risk management processes can strengthen long-term stability while increasing stakeholder confidence (VURAL YAVAŞ, 2020). Therefore, ESG implementation is not only an indicator of sustainability but also a crucial part of improving bank performance and competitiveness in the green economy era (VURAL YAVAŞ, 2020). According to research bySreeram et al., (2025) confirm that ESG governance quality positively influences dividend policy because companies are more transparent, accountable, and tend to avoid excessive cash accumulation. Several studies, such as research by Andrianantenenaina & Benyadi, (2020) states that companies with high ESG scores tend to retain more profits and lower the dividend payout ratio, because the company's priorities shift to sustainable investment and reputation building, this shows that increasing ESG scores have a negative effect on dividend payouts.

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Leverage can be used as an independent variable to ensure that its influence on the dependent variable is not "contaminated" by the company's capital structure risk (Andrianantenenaina & Benyadi, 2020). Leverage reflects how much a company relies on debt to finance its operations (VURAL YAVAŞ, 2020). As an independent variable, leverage is important because firms with high debt levels face interest burdens and bankruptcy risks that can affect financial performance or managerial behavior (Andrianantenenaina & Benyadi, 2020). If not controlled, variations in leverage between companies can become a confounding variable, meaning that differences in outcomes (e.g., profitability, company value) can be caused by debt structure, rather than other independent factors being studied (Andrianantenenaina & Benyadi, 2020). This is consistent with regression methodology where independent variables are included to "measure" the effects of variables that are not the primary focus (Andrianantenenaina & Benyadi, 2020). In addition, capital structure theories such as the trade-off theory show that leverage provides benefits (tax shield), but also carries the cost of bankruptcy risk, so that a company's debt structure can affect managerial decisions and long-term performance (Andrianantenenaina & Benyadi, 2020). Based on research from Andrianantenenaina & Benyadi, (2020) states that leverage has a positive effect on dividend payout. According to research from Syahid et al., (2024) states that leverage has a negative effect on dividend payout, because the greater a company's debt, the smaller the dividends it will give or it will not even distribute dividends to pay off the debt it has first.

The level of liquidity is one of the important aspects that needs to be considered in a company's financial condition, especially the company's ability to meet short-term obligations (Andrianantenenaina & Benyadi, 2020). One of the most conservative liquidity indicators is the Cash Ratio, which is a ratio that measures the extent to which current liabilities can be met using only the cash and cash equivalents owned by the company (Andrianantenenaina & Benyadi, 2020). This ratio is considered stricter than the current ratio or quick ratio because it does not include receivables or inventory in the current asset components (Mukhtaruddin et al., 2025). A high cash ratio indicates that the company has strong liquidity capabilities in the face of operational uncertainty, while a low ratio may indicate potential difficulties in meeting short-term obligations (Sreeram et al., 2025). Thus, the cash ratio is often used as an independent variable in various studies to assess how liquidity affects profitability, financial stability, and company value (Sreeram et al., 2025). According to research from Syahid et al., (2024)states that the cash ratio has a positive effect on dividend payout. According to research from Karki & Seth, (2025), which states that the Cash Ratio

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has a negative effect on Dividend Payout, because companies that have a lot of cash prefer to reinvest the cash they have rather than make dividend payments to maximize company performance in order to expand the company.

Return on Assets (ROA) is a fundamental measure of profitability because it reflects management's efficiency in converting assets into profits. ROA is calculated as the ratio of net income to average total assets, thus indicating how much return a company earns on all of its economic resources (Syahid et al., 2024). As an independent variable, ROA is often used in empirical research to explain the effect of operational profitability on other dependent variables, such as firm value, profit growth, or dividend policy, because ROA considers total assets (both equity and debt), this variable can describe the effectiveness of resource use without capital structure bias, which is very useful when we want to isolate the pure financial impact of asset management (Syahid et al., 2024). In addition, modern literature emphasizes the need for caution in the definition of ROA, for example choosing between net income after tax or EBIT as the numerator because variations in the calculation can give rise to measurement error (Syahid et al., 2024). A critical review of the use of ROA in corporate research states that many empirical studies use net profit (PAT) as a numerical measure, while others use EBIT, and this difference has implications for the interpretation of research results (Syahid et al., 2024). ROA is an important indicator for stakeholders because it shows how efficiently a company uses its assets to create value, and can also be used as a signal to the market, high ROA can increase investor confidence because it reflects the quality of management and stable operational profitability, because ROA is able to reflect the company's core performance without being too affected by external financing policies, then ROA has a very positive effect on dividend payout (Syahid et al., 2024). According to research from VURAL YAVAŞ, (2020) stated that ROA has a negative influence on dividend payout.

LITERATURE REVIEW

Study VURAL YAVAŞ, (2020) The study reveals that dividend payout policy is a crucial decision in a company's finances because it reflects how profits are distributed to shareholders. This decision is explained through agency theory, which states that a conflict of interest exists between managers and shareholders that influences how profits are distributed.(VURAL YAVAŞ, 2020). StudySreeram et al., (2025)states that dividend payout can be explained as a company's policy of distributing a portion of its profits to shareholders.Karki & Seth, (2025) explains that dividend payout can be proxied through two ratios: DPS and DPA. DPS can

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be measured by comparing common cash dividends to net sales. DPA can be measured by comparing common cash dividends to the book value of total assets.

Environmental, social, and governance performance are increasingly important for financial strategy development. Companies that actively implement environmentally friendly practices incur fewer costs related to compliance, litigation, and cleanup than those that are less environmentally conscious. Furthermore, such companies often enjoy favorable conditions in the capital markets, as their commitment to sustainability attracts positive attention from shareholders, who may view them as low-risk investments.(Karki & Seth, 2025). Furthermore, high environmental performance can generate operational efficiency, reduce costs, improve financial performance, and increase liquidity. This increased liquidity and strong financial condition enable environmentally conscious companies to adopt a higher dividend payout policy, in line with investor expectations and signaling financial stability (Andrianantenenaina & Benyadi, 2020).

Leverage (leverage of debt) is a measure of capital structure that shows how much a company finances its assets with debt compared to equity; in theory leverage reflects a trade-off between the tax benefits of debt and bankruptcy costs and agency conflicts (Syahid et al., 2024). In modern empirical studies, leverage is often measured quantitatively using ratios such as Debt-to-Equity (DER), Debt-to-Assets (DAR), long-term debt/total assets, or the proportion of total liabilities to total assets; panel data studies typically use these ratios (sometimes logarithmic or lagged) as independent variables to explain variations in the dividend payout ratio (Syahid et al., 2024). From a mechanical perspective, leverage can suppress dividend payouts because interest obligations and credit agreement restrictions encourage management to retain cash to pay off debt (Syahid et al., 2024). Several review and empirical studies have found that the higher the debt, the more likely companies are to withhold or reduce dividend payments to maintain liquidity and meet covenants (Syahid et al., 2024). Conversely, there are also arguments and empirical findings that show a positive effect, namely that debt as a disciplinary mechanism can force management to distribute remaining cash flow (commitment/signaling), or that companies with certain zero-leverage actually pay dividends more consistently—suggesting that the relationship between leverage and dividend payout is contextual and depends on industry characteristics, regulations, and capital market conditions (Mukhtaruddin et al., 2025). In quantitative research, leverage is usually measured as a ratio of (1) Debt to Equity Ratio, which compares total debt to total equity, or (2) Debt to Asset Ratio, which compares total debt to total assets. Some studies distinguish short-

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term vs. long-term debt (e.g., long-term debt / total assets) to capture the maturity profile of liabilities. Panel studies often use annual ratios lagged by one period to reduce endogeneity, and perform transformations (log, winsorize). Common control variables paired with leverage when examining dividend payout include profitability (ROA/ROE), firm size (log of total assets), liquidity (current ratio), and measures of growth investment opportunities (Syahid et al., 2024).

Leverage often shows a negative relationship with dividend payout, because increased use of debt creates an interest payment obligation that must be prioritized before profits are distributed to shareholders, this condition encourages companies to retain cash to maintain the ability to meet obligations and comply with debt covenants that usually limit dividend payments when the level of leverage is high (Syahid et al., 2024). Liquidity pressures and default risks make management more cautious in distributing dividends, making it more likely that highly leveraged companies will adopt a more conservative dividend policy (Syahid et al., 2024). Although many findings show a negative relationship, some modern literature finds that leverage can also have a positive influence on dividend payout under certain conditions, for example, debt can function as a disciplinary mechanism for management to reduce free cash flow, so that the remaining cash flow after debt obligations are met tends to be allocated to dividends as a signal of the company's performance strength to the market (Sreeram et al., 2025). Well-managed leverage can also increase external pressure on management to maintain a good credit reputation, thus encouraging the company to maintain a stable dividend policy as a form of commitment to investors (Sreeram et al., 2025).

Cash Ratio is a very conservative liquidity ratio, because it only considers cash and cash equivalents to assess the company's ability to cover short-term liabilities directly (Syahid et al., 2024). By definition, the Cash Ratio is calculated by dividing the amount of cash plus cash equivalents by current liabilities, thus providing an overview of the extent to which cash, as the most liquid asset, can cover short-term liabilities (Syahid et al., 2024). As an independent variable, the Cash Ratio is often used in financial research to test the effect of a company's liquidity on financial performance or other ratios (Syahid et al., 2024). For example, a study at PT Pupuk Indonesia found that the Cash Ratio had a significant positive effect on operating profit, indicating that high liquidity (more cash) can support operational profitability (Syahid et al., 2024). However, the relationship between the Cash Ratio and financial performance is not always positive or significant. In the study "Impact of Liquidity on Capital Structure and

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Financial Performance," it was found that liquidity, as measured by the Cash Ratio, has a significant negative impact on Return on Equity (ROE), indicating that too much idle cash may reflect inefficiencies in the company's capital utilization. (Syahid et al., 2024) Theoretically, the Cash Ratio also reflects a company's financial slack, namely liquid cash reserves that can be used in emergencies or for unexpected investments. Conceptual research shows that this liquid cash position can be both a "short-term guarantee" and an important source of strategic flexibility. (Mukhtaruddin et al., 2025) The motivation for selecting Cash Ratio as an independent variable in the study is very relevant because by understanding how liquid a company's cash is, researchers can analyze the extent to which extreme liquidity (cash only) affects managerial decisions, capital structure, and the company's operational performance (Sreeram et al., 2025). Operationally, in quantitative research, the cash ratio is usually measured as cash and cash equivalents compared to current liabilities, where these components are taken from the end-of-period balance sheet; the definition and limitations of the elements (e.g., what is counted as cash equivalents) should be explained and adjusted to the accounting policies of the sample company.(Syahid et al., 2024).

Theoretically, the cash ratio influences dividend policy through two main mechanisms. First, in terms of liquidity and ability to pay, a high cash ratio provides management with the flexibility to distribute cash dividends. The greater the cash relative to short-term liabilities, the lower the liquidity risk that would hinder dividend payments (a positive effect on dividend payouts). Empirical evidence suggests that the characteristics of a company's business strategy and liquidity needs determine whether a large cash ratio translates into higher dividend payments (Mukhtaruddin et al., 2025). Second, according to the agency perspective and free-cash-flow theory, excess cash can amplify the conflict between managers and shareholders. Managers with excess cash may retain earnings for suboptimal investment purposes or personal consumption (empire-building), thus suppressing the propensity to pay dividends (a negative effect on dividend payout). Furthermore, under conditions of economic uncertainty or financing constraints, firms may retain cash to mitigate risk, reducing dividend payout even when the cash ratio is high. Cross-country research shows a negative relationship between economic uncertainty, agency problems, and corporate cash use (VURAL YAVAŞ, 2020).

Return on Assets (ROA) as an independent variable shows how effectively a company uses its total assets to generate net profit, ROA is calculated by dividing net profit by total assets (or average assets), thus reflecting the company's operational efficiency before considering the funding structure

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(Morea et al., 2025). In empirical financial research, ROA is often used as a profitability indicator because it describes the productivity of a company's assets and ignores the influence of leverage (debt) (Singh et al., 2024). ROA as an independent variable is often used as a predictor in regression models to test the effect of profitability on other variables such as firm value, tax avoidance, or credit risk (Singh et al., 2024). Research according toSingh et al., (2024)states that criticizing the variation in ROA definitions in empirical literature, for example, some studies use net income, while others use EBIT as the numerator, and this difference can give rise to measurement error.. In addition, ROA as an independent variable is very relevant in research on the banking sector or financial institutions, because profitability as measured by ROA reflects the bank's ability to manage assets (including loans) in facing credit risk (Singh et al., 2024). ROA is operationally usually calculated as net income multiplied by total assets or using net income after tax divided by average assets in the period to reduce seasonal fluctuations (Syahid et al., 2024). In empirical understanding, ROA is often operationalized as an annual percentage (using current year net profit divided by the average total assets of the current year and the previous year) and is sometimes lagged (ROA t−1) to overcome the endogeneity problem between profit and dividend decisions (Xiu et al., 2025).

RESEARCH METHOD

This study uses a hypothesis testing method that aims to test the influence of independent variables, namely Environmental, Social and Governance Performance, leverage, cash ratio, return on assets on the dependent variable, namely Dividend Payout.

This study used panel data, a combination of cross-sectional and time-series data on banking sector companies listed on the Indonesia Stock Exchange (IDX) during the 2023-2024 period. The research object selection used a purposive sampling technique to determine the number of analysis units, namely 17 banks out of a total of 47 banks listed on the IDX during the two-year period (2023-2024). The data analysis tool used in this study was Eviews 12 software.

RESULTS AND DISCUSSION

Descriptive Analysis

The results of the descriptive statistical test on the independent variables and control variabel on dependent variables can be seen in the following table:

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Table 1.
Descriptive Analysis Result

Variable	N	Minimum	Maximum	Mean	Std. Deviation
DPS	34	0.00000	2.550000	1.750000	0.675273
DPA	34	0.00000	0.031810	0.010168	0.008827
ESG	34	0.00000	51.44000	32.14588	11.46267
LEV	34	0.127842	0.905449	0.716668	0.241016
CRO	34	0.043071	0.246636	0.101169	0.041374
ROA	34	0.006079	0.050411	0.022609	0.012507

Source: eviews9 (2025)

Based on the table above, it can be seen that:

1. The DPS variable is one of the proxies *Dividend Payout*shows a minimum value of 0.00000 owned by PT Bank Amar Indonesia (AMAR) in 2023 and PT Bank Pan Indonesia (PNBN) in 2024, with a maximum value of 2,550,000 owned by PT Bank Mandiri (Persero) in 2024. The statistical test results have a standard deviation of 0.675273 with an average of 1,750,000.
2. The DPA variable, which is one of the proxies for Dividend Payout, shows a minimum value of 0.00000 owned by PT Bank Amar Indonesia (AMAR) in 2023, with a maximum value of 0.031810 owned by PT BTPN Syariah (BTPS) in 2023. The statistical test results have a standard deviation of 0.008827 with an average of 0.010168.
3. The ESG variable which is one of the Dividend Payout proxies shows a minimum value of 0.00000 owned by PT Bank Amar Indonesia (AMAR) in 2023 and PT Bank Pan Indonesia (PNBN) in 2024, with a maximum value of 51.44000 owned by PT Bank Rakyat Indonesia (Persero) in 2024. The statistical test results have a standard deviation of 11.46267 with an average of 32.14588.
4. The LEV variable, which is one of the proxies for Dividend Payout, shows a minimum value of 0.127842 owned by PT BTPN Syariah (BTPS) in 2023, with a maximum value of 0.905449 owned by PT Bank Maybank Indonesia (BNII) in 2024. The statistical test results have a standard deviation of 0.241016 with an average of 0.716668.

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5. The CRO variable, which is one of the Dividend Payout proxies, shows a minimum value of 0.043071 owned by PT Bank OCBC NISP (NISP) in 2023, with a maximum value of 0.246636 owned by PT Bank Amar Indonesia (AMAR) in 2023. The statistical test results have a standard deviation of 0.041374 with an average of 0.101169.
6. The ROA variable, which is one of the proxies for Dividend Payout, shows a minimum value of 0.006079 owned by PT Bank Maybank Indonesia (BNII) in 2024, with a maximum value of 0.050411 owned by PT BTPN Syariah (BTPS) in 2023. The statistical test results have a standard deviation of 0.012507 with an average of 0.022609.

Chow Test

The results of the Chow test using can be seen as follows:

Table.2
Result of Chow Test

Chow Test				
Effect Test	**Model**	**Prob.**	**Hypothesis**	**Conclusion**
Cross-section Chi -Square	Model 1 (Dividend Per Share)	0.0000	Ho was rejected	Fixed Effect Model
	Model 2 (Dividend Payout per Asset)	0.0000	Ho was rejected	Fixed Effect Model

Source: eviews9 (2025)

Results chow tests show that the Cross-Section Chi-Square Prob. value of model 1 (Dividend Per Share) is 0.0000 < 0.05, so Ho is rejected and Ha is accepted. It can be concluded that the appropriate model for the dividend per share model is the fixed effect model (FEM), then continued with the Hausman test.

The Chow test results show that the Cross-Section Chi-Square Prob. value of model 2 (Dividend Payout per Asset) is 0.0000 < 0.05, so Ho is rejected and Ha is accepted. It can be concluded that the appropriate model for the dividend payout per asset model is the fixed effect model (FEM), then continued with the Hausman test.

Hausman Test

The results of the hausman test can be seen in the following table:

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Table.3
Result of Hausman Test

Hausmant Test				
Effect Test	**Model**	***Prob.***	***Hypothesis***	**Conclusion**
Cross-section Chi -Square	Model 1 (Dividend Per Share)	0.0028	Ho was rejected	Fixed Effect Model
	Model 2 (Dividend Payout per Asset)	0.0000	Ho was rejected	Fixed Effect Model

Source: eviews9 (2025)

The Hausman test results show that the Cross-Section Chi-Square Prob. value of model 1 (Dividend Per Share) is 0.0028 < 0.05, so Ho is rejected and Ha is accepted. It can be concluded that the most appropriate model for the dividend per share model is the fixed effect model (FEM).

The Hausman test results show that the Cross-Section Chi-Square Prob. value of model 2 (Dividend Payout per Asset) is 0.0000 < 0.05, so Ho is rejected and Ha is accepted. It can be concluded that the most appropriate model for the dividend payout per asset model is the fixed effect model (FEM).

F-test

The results of the F test using can be seen as follows:

Table.4
Result of F-Test

F-Test				
Effect Test	**Model**	**Prob.**	**Hypothesis**	**Conclusion**
Prob.(F-Statistic)	Model 1 (Dividend Per Share)	0.000002	Ho was rejected	Significant influence
	Model 2 (Dividend	0.000003	Ho was rejected	Significant influence

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	Payout per Asset)			

Source: eviews9 (2025)

The F-test results show that the Prob. (F-Statistic) value of model 1 (Dividend Per Share) is 0.000002 < 0.05, so Ho is rejected and Ha is accepted. These results prove that there is at least one independent variable that influences the dependent variable, so the model fits.

The results of the F test show that the Prob. (F-) valueStatistics) model 2 (Dividend Payout per Asset) is 0.000003 < 0.05, so Ho is rejected and Ha is accepted. These results prove that there is at least one independent variable that influences the dependent variable, so the model fits.

Goodness-of-Fit test (Adjust R^2)

The results of the Goodness of Fit test in this study can be seen in the following table:

Table.5
Result of Goodness Of Fit Test

Goodness of Fit Test		
Testing	**Model**	**Value**
Adjusted R-Squared	Model 1 (Dividend Per Share)	0.914115
	Model 1 (Dividend Payout per Asset)	0.903623

Source: eviews9 (2025)

The results of the F test show that the Adjusted R-Squared value in model 1 (Dividend Per Share) is 0.914115, which means that the independent variables, namely Environmental, Social, and Governance Performance, leverage, cash ratio, and Return on Assets, are able to explain the variation in the dependent variable by 91.4115%, while the remaining 9.5885% is explained by other variables that are not included in the model.

The results of the F test show that the Adjusted R-Squared value in model 2 (Dividend Payout per Asset) is 0.903623, which means that the independent variables, namely Environmental, Social, and Governance Performance, leverage, cash ratio, and Return on Assets, are able to explain the variation in the dependent variable by 90.3623%, while the remaining 9.6377% is explained by other variables not included in the model.

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Panel Data Regression Analysis

This study uses a panel data regression model combining time series and cross-sectional data. This model is used to illustrate the importance of variation between companies and the precise effect of selected variables on a company over time. The first and second panel data regression models examine the direct influence of environmental, social, and governance performance (ESG) on dividend payout (DPA & DPS). The following equation model is generated:

$DPSi,t = \alpha + \beta1ESGi,t + \beta2LEVi,t + \beta3CROi,t + \beta4ROAi,t + \varepsilon i,t$ (1)

$DPAi,t = \alpha + \beta1ESGi,t + \beta2LEVi,t + \beta3CROi,t + \beta4ROAi,t + \varepsilon i,t$ (2)

Hypothesis Testing (T-Test)

The results of the t-test by comparing the t-table with the calculated t-table can be seen in the following table:

Table.6
Result of Hyphotesis Test

Model 1				
Fixed Effect Model				
Model Dividend Payout: DPS				
Variables	**Coefficient**	**Prob.**	**Hypothesis**	**Conclusion**
Constanta	-1.333953	0.4306	-	-
ESG	- 0.007724	0.1356	H0 is accepted	Not significant
LEV	4.582408	0.0598*	Ho was rejected	Significant positive
CRO	-4.233955	0.0775*	Ho was rejected	Significant negative
ROA	21.07759	0.3029	H0 is accepted	Not significant
**) Significant at 5% *) Significant at 10%				

Source: eviews9 (2025)

Based on the results of the t-test in the table abovecan be concluded:

1. The t-test results in Table 4.2 for model 1 (DPS) show that the ESG variable has a significance value of 0.1356 > 0.05, indicating that Ho is accepted. From these results, it can be concluded that the ESG variable is not significant on Dividend Payout.
2. The t-test results in Table 4.2 for model 1 (DPS) show that the LEV variable has a significant value of 0.0598* <0.10 (α = 10%), which means Ho is rejected.

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The coefficient value of 4.582408 means that increasing LEV will increase dividend payout and vice versa. From these results, it can be concluded that the LEV variable has a positive and significant effect on Dividend Payout.

3. The t-test results in Table 4.2 for model 1 (DPS) show that the CRO variable has a significant value of 0.0775* <0.10 (α = 10%), which means Ho is rejected. The coefficient value of -4.233955 means that increasing CRO will decrease dividend payout and vice versa. From these results, it can be concluded that the CRO variable has a negative significant effect on Dividend Payout.
4. The t-test results in Table 4.2 for model 1 (DPS) show that the ROA variable has a significance value of 0.3029 > 0.05, indicating that Ho is accepted. From these results, it can be concluded that the ROA variable is not significant on Dividend Payout.

The Impact of ESG on Dividend Payout

The analysis results show that ESG has no significant impact on dividend payout, as measured by DPS and DPA. This finding is inconsistent with the findings of other studies.Karki & Seth, (2024), which states that ESG has a positive effect on Dividend Payout, reflects that companies with strong ESG often have better financial health, characterized by abundant free cash flow and a lower risk profile, thus increasing their appeal to investors focused on stability and the potential for high dividend payments.Andrianantenenaina & Benyadi, (2020)states that companies that focus on environmental, social, and governance practices rather than maximizing shareholder value can use increased dividend payouts to reassure shareholders of their sustainability commitments and provide shareholders with information about the quality of their financial returns.VURAL YAVAŞ, (2020)argue that the implementation of dividend distribution policy is a significant tool in mitigating agency costs, so it is important to think critically about environmental, social, and governance performance as well as dividend payments because they affect overall financial performance, cash levels, growth prospects, and reputation.

The Effect of Leverage on Dividend Payout

The results of the analysis showLeveragehas a significant positive effect on Dividend Payout as measured by DPS and DPA. The results of this study are in line with the results of other studies.Karki & Seth, (2024), which states that Leverage has a positive effect on Dividend Payout. ResearchXiu et al., (2025)also stated that leverage can also have a positive effect on dividend payouts under certain conditions. For example, debt can serve as a disciplinary mechanism for management to reduce free cash flow, so that the remaining cash flow after debt

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obligations are met tends to be allocated to dividends as a signal of the company's strong performance to the market.Ozili, (2025)It is also argued that well-managed leverage can also increase external pressure on management to maintain credit reputation, so that companies are encouraged to maintain a stable dividend policy as a form of commitment to investors.

The Effect of Cash Ratio on Dividend Payout

The results of the analysis showCash Ratiohas a negative significant effect on Dividend Payout as measured by DPS and DPA. The results of this study are in line with the results of the previous study.Karki & Seth, (2024), which states that the Cash Ratio has a negative effect on Dividend Payout. The results of this study are supported by researchOzili, (2025)found that liquidity as measured by the Cash Ratio has a significant negative impact on Return on Equity (ROE), indicating that too much idle cash may reflect inefficiency in the company's use of capital.Syahid et al., (2024)According to the agency perspective and free-cash-flow theory, excess cash can amplify the conflict between managers and shareholders. Managers with excess cash may retain earnings for suboptimal investment purposes or personal consumption (empire-building), thereby suppressing the propensity to pay dividends (a negative effect on dividend payout). Furthermore, under conditions of economic uncertainty or financing constraints, companies may retain cash to face risks, reducing dividend payout even though the cash ratio is high.

The Effect of ROA on Dividend Payout

The analysis results show that ROA has a significant positive effect on Dividend Payout as measured by DPA, but is insignificant when measured by DPS. This finding aligns with the findings of other studies.Karki & Seth, (2025), which states that ROA has a positive effect on Dividend Payout. The researchSingh et al., (2025)argues that Return on Assets (ROA) as an independent variable shows how effectively a company uses its total assets to generate net income, ROA is calculated by dividing net income by total assets (or average assets), thus reflecting the company's operational efficiency before considering the funding structure. ResearchMukhtaruddin et al., (2025) explains that companies with higher ROA tend to have more stable cash flows and profits so they are better able to pay company dividends and shareholders interpret high ROA as a signal of profitability so that management is more likely to increase the dividend payout ratio.

CONCLUSION

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This study aimed to determine the effect of Environmental, Social, and Governance Performance, Leverage, Cash Ratio, and Return on Assets on Dividend Payout for companies listed on the Indonesia Stock Exchange (IDX) during the 2023-2024 period. The following conclusions can be drawn from this study *Environmental Social and Governance Performance* (ESG) is not significant to Dividend Payout as measured by DPS and DPA. *Leverage* significantly positive on Dividend Payout as measured by DPS and DPA. *Cash Ratio* significantly negative on Dividend Payout as measured by DPS and DPA. *Return on Assets* significantly positive on Dividend Payout as measured by DPA, but shows no significance when measured by DPS.

For bank managers, there are variables that influence dividend payout, such as Environmental, Social, and Governance Performance (ESG), leverage, cash ratio, and return on assets. Managers must maintain strong ESG to improve financial health, as ESG has a positive impact on DPS and DPA.

This study also includes industry-specific and macroeconomic variables. Based on these findings, the government is expected to understand the impacts of macroeconomic variables on bank profitability. This understanding will enable the government to be more prudent and cautious in policymaking, as these policies have knock-on effects that ultimately impact bank profitability.

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