

Economic Financial and Sustainability Drivers of Firm Value: The Moderating Role of Dividends in Southeast Asia's Oil, Gas, and Lubricant Sector (2021–2024)

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Abstract:

This study examines the economic influence of financial performance and sustainability performance on firm value, with dividends serving as a moderating variable, in oil, gas, and lubricant sub-sector companies across Southeast Asia during the 2021-2024 period. A quantitative causal research design was employed, utilizing secondary data derived from annual and sustainability reports of publicly listed companies in Southeast Asian stock exchanges. The sample comprises 18 companies selected through purposive sampling. The variables analyzed include financial performance (Return on Assets/ROA), sustainability performance (Environmental, Social, and Governance/ESG Score based on the 2021 GRI Standards), firm value (Price to Book Value/PBV), and dividends as a moderating variable. Data were analyzed using Moderated Regression Analysis (MRA) with SPSS version 26. The findings reveal that financial performance initially shows no significant effect on firm value; however, after the inclusion of dividends as a moderating variable, the effect becomes significant and negative. Sustainability performance (ESG Score) demonstrates a positive and significant influence on firm value before moderation, but this relationship loses significance once dividends are introduced into the model. Furthermore, dividends do not moderate the relationship between financial performance and firm value, yet they significantly and negatively moderate the relationship between sustainability performance and firm value. This suggests that higher dividend payouts may weaken the positive impact of sustainability performance on firm value, as investors tend to prioritize short-term returns over long-term sustainability benefits. These results imply that companies should carefully align dividend policies with sustainability strategies to sustain long-term firm value and investor confidence.

Keywords: Dividend Policy, ESG Score, Firm Value, Price to Book Value (PBV), Return on Assets (ROA)

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1. Introduction

In recent years, sustainability issues (Environmental, Social, and Governance/ESG) have become an essential factor in investment decision-making and corporate

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performance evaluation, particularly in high-environmental-risk sectors such as oil, gas, and lubricants. Companies in Southeast Asia within this sub-sector face increasing pressure to balance optimal financial performance with demands for transparency and social and environmental responsibility (Yuniza & Devi, 2025). The oil and gas industry is capital- and energy-intensive, contributing significantly to carbon emissions and environmental impacts. Consequently, investors are paying greater attention to sustainability performance as part of their assessment of long-term risk and prospects (Farhan, 2024). This condition encourages companies to enhance both financial and sustainability performance simultaneously as a strategy to maintain and increase firm value.

Financial performance is one of the primary indicators for evaluating a company's success. Return on Assets (ROA) is often used to measure a company's ability to generate profits from its assets, reflecting managerial efficiency and profitability (Martini & Siddi, 2021). Previous research indicates that ROA has a positive relationship with firm value since investors tend to assign higher valuations to companies that consistently generate profits (Panda et al., 2024). In the capital market, firm value is commonly measured using the Price to Book Value (PBV) ratio, which reflects market confidence in the company's book value and expectations of future earnings (Chang et al., 2023). Therefore, an increase in financial performance, as indicated by ROA, can directly enhance PBV.

Beyond financial aspects, the sustainability dimension has become an important determinant in shaping firm value. The implementation of ESG reflects a company's commitment to ethical business practices, transparency, and environmental and social sustainability. Sustainability performance is now widely measured based on the Global Reporting Initiative (GRI) Standards 2021, which provides a comprehensive framework for global reporting on environmental, social, and governance aspects (GRI, 2021). Empirical studies reveal that strong ESG disclosure can enhance firm value by strengthening reputation, reducing litigation risk, and expanding access to financing (Suhartini et al., 2024). Manulang & Soeratin (2024) also found that transparent ESG disclosure improves investor perceptions and positively impacts stock market performance.

According to stakeholder theory, companies that consider the interests of all stakeholders—including shareholders, employees, communities, and the environment—tend to establish more stable relationships with their social environment, thereby increasing long-term firm value (Khalil et al., 2024). Meanwhile, signaling theory explains that the disclosure of financial and non-financial information, including sustainability reports and dividend distributions, serves as a signal to the market regarding a company's condition and future prospects (Ihsan & Zuraida, 2024).

Dividend distribution, in particular, serves as a strong signal to investors about a company's profitability and cash flow stability (Jasmine & Machdar, 2025). Companies that consistently pay dividends demonstrate that their profits are not merely accounting figures but actual returns to shareholders. However, the role of

dividends in the relationship between financial performance, sustainability performance, and firm value remains underexplored, especially in the oil and gas sector within Southeast Asia.

Most previous studies focused on the direct effect of dividends on firm value without examining how dividends might strengthen or weaken the influence of ROA and ESG on PBV. According to Devi & Manuari (2025), dividends significantly strengthen the effect of financial performance on firm value by providing investors with additional confidence in earnings quality. Conversely, companies focusing on sustainability initiatives may prefer to retain earnings to fund environmentally friendly projects, potentially reducing dividend payouts (Khoiruddin, 2023). This suggests a trade-off between sustainability commitments and profit distribution strategies that may influence investors' perceptions of firm value.

The research gap identified from previous studies lies in three key aspects. First, limited research has analyzed the simultaneous effect of financial performance (ROA) and sustainability performance (ESG) on firm value while incorporating dividends as a moderating variable in the oil, gas, and lubricant sub-sector in Southeast Asia, despite the sector's high-risk nature and regulatory pressures. Second, most prior studies utilized ESG scores from commercial providers such as Bloomberg or Refinitiv, whereas the use of ESG scores constructed from GRI Standards 2021 disclosures remains limited—even though GRI provides the most comprehensive and globally recognized standard. Third, few studies have examined the post-COVID-19 period (2021–2024), during which market uncertainty, oil price fluctuations, and attention to the green energy transition have increasingly influenced investor behavior and corporate strategies.

Based on this background, this study aims to analyze the effect of financial performance (ROA) and sustainability performance (ESG Score based on GRI Standards 2021) on firm value (PBV), as well as to examine the role of dividends as a moderating variable in oil, gas, and lubricant sub-sector companies in Southeast Asia during the 2021–2024 period. The findings are expected to provide theoretical contributions by enriching the literature on the integration of financial and sustainability performance in firm value creation, as well as practical contributions for management and investors in formulating financial management strategies and dividend policies aligned with sustainability principles.

2. Theoretical Background

Financial Performance: Financial performance is one of the most fundamental indicators commonly used by investors to assess a company's prospects in the capital market. Financial information presented in annual reports provides crucial signals regarding a company's ability to generate profits, manage assets efficiently, and maintain long-term competitiveness (Noviyanti et al., 2021). Profitability ratios such as Return on Assets (ROA) are often employed to measure how effectively a company utilizes its resources to generate income. ROA evaluates operational efficiency by

assessing the extent to which asset management contributes to profit generation (Widyastuti & Aini, 2021). It encompasses all managerial skills and resources, including revenue-generating activities, cash, and financial assets used to produce profits (Ariesa et al., 2023). A higher ROA indicates stronger profitability and greater efficiency in asset utilization, which increases investor confidence and enhances firm value (Syafii et al., 2020). According to signaling theory, strong financial performance serves as a positive signal to the market, as it is perceived as an indicator of the company's future growth prospects (Arhinful et al., 2025).

Sustainability Performance: Sustainability performance refers to a company's achievements in social, economic, and environmental aspects that are expected to improve over the long term (Werastuti, 2022). Many companies, both domestic and international, have adopted the Global Reporting Initiative (GRI) framework as an indicator in their sustainability reporting. Corporate sustainability performance-commonly measured through Environmental, Social, and Governance (ESG) Scores—has gained increasing attention in capital market research. ESG reflects the extent to which a company takes responsibility for its environmental and social impacts and practices good governance. Legitimacy theory explains that companies gain legitimacy from stakeholders when their activities and values align with prevailing social norms (Indriastuti & Chariri, 2021).

Dividend: A dividend is the distribution of a company's profits resulting from its business operations, which may be paid in the form of shares or cash (Prayoga & Kristianti, 2020). Dividends act as a signal to shareholders, indicating the company's future prospects—the higher the dividends distributed annually, the greater the expected profit growth. Conversely, if dividends are withheld or postponed, it may lower the company's market value and reduce investor confidence (Prayoga & Kristianti, 2020).

Firm Value: In evaluating a company's performance and quality, investors consider firm value, which reflects the company's overall worth (Saida et al., 2025). To achieve optimal value, companies must investigate and examine key factors influencing firm value (Annisa et al., 2024). Since firm value serves as a benchmark of performance, management must allocate significant resources to maintain and enhance it. The primary goal of financial management is to maximize net profit, as profit growth directly contributes to increasing firm value (Ivani & Efendi, 2024). In this study, firm value is measured using the Price to Book Value (PBV) ratio. According to Siddik & Asri (2025), PBV is a ratio used to compare a company's market value with its book value, providing an indication of whether a stock is overvalued or undervalued. A lower PBV suggests that a stock is undervalued, which may indicate strong potential for long-term investment. Based on Siddik & Asri (2025), PBV represents the relationship between a company's market value and the book value of its shares.

3. Methodology

This study employs a quantitative approach with a causal research design to analyze the influence of financial performance and sustainability performance on firm value, with dividends serving as a moderating variable. The quantitative approach was chosen because this study focuses on hypothesis testing based on numerical data that can be measured objectively and analyzed statistically. This approach allows the researcher to identify the magnitude and direction of causal relationships between the studied variables.

The research utilizes secondary data obtained from the stock exchanges of Southeast Asian countries, as well as from companies' annual reports and sustainability reports published during the 2021–2024 period. The population of this study comprises 103 oil, gas, and lubricant sub-sector companies operating in Southeast Asia. The four-year observation period was selected based on the availability of complete and comparable financial and sustainability data.

The sampling method used in this research is purposive sampling, which involves selecting companies that meet specific criteria. The criteria include: (1) companies that consistently generate profits during the observation period, (2) companies that publish complete annual financial statements, (3) companies with available firm value data, and (4) companies that disclose information related to sustainability practices or publish sustainability reports. Based on these criteria, 18 companies were selected as the final sample, consisting of four companies from Indonesia, three from Singapore, four from the Philippines, three from Malaysia, and four from Thailand.

The study involves three main types of variables. The independent variables are financial performance and sustainability performance, the dependent variable is firm value, and the moderating variable is dividends. Financial performance is measured using Return on Assets (ROA), which represents a company's ability to generate profit from its total assets. Sustainability performance is assessed using the ESG disclosure score based on the Global Reporting Initiative (GRI) Standards 2021, covering environmental, social, and governance dimensions. Firm value is measured using the Price to Book Value (PBV) ratio, reflecting the market's valuation of the company relative to its book value. Dividends, as the moderating variable, are measured based on the total annual dividends distributed by each company.

Data analysis in this study was carried out using Moderated Regression Analysis (MRA) to examine the role of dividends as a moderating variable in the relationship between financial performance, sustainability performance, and firm value. Prior to hypothesis testing, classical assumption tests—including tests for normality, multicollinearity, heteroscedasticity, and autocorrelation—were conducted to ensure the validity of the regression model. After confirming that the data met all necessary assumptions, multiple regression analysis was performed to test the direct effects of financial and sustainability performance on firm value. The moderating effect of dividends was then analyzed through interaction testing. All statistical analyses were performed using SPSS version 26.

4. Empirical Findings/Result

Classical Assumption Test

The classical assumption test is a prerequisite for conducting multiple regression analysis. This test must be satisfied to ensure that the estimation of parameters and regression coefficients is unbiased (Indartini & Mutmainah, 2024). The classical assumption tests include the normality test, multicollinearity test, autocorrelation test, and heteroskedasticity test.

In this study, the normality test was carried out using the Kolmogorov–Smirnov Test by examining the significance value of the residuals, along with a graphical approach using the Normal Probability Plot (Indartini & Mutmainah, 2024). The detection of normality is done by observing the distribution of data points along the diagonal axis of the plot. The results of the normality test for the residuals are presented in Table 1.

Table 1.	Normality Test				
One-Sample Kolmogorov-Smirnov Test					
		Unstandardized			
		Residual			
N		72			
Normal Parameters ^{a,b}	Mean	.0000000			
	Std. Deviation	.36417790			
Most Extreme Differences	Absolute	.075			
	Positive	.038			
	Negative	075			
Test Statistic		.075			
Asymp. Sig. (2-tailed)		.200 ^{c,d}			
a. Test distribution is Norma	al.				
b. Calculated from data.					
c. Lilliefors Significance Co	rrection.				
d. This is a lower bound of t	he true significance	e.			
·	•	<u> </u>			

Source: SPSS vs 26

Based on the results presented in the table above, the significance value is greater than 0.05, specifically 0.200. This indicates that the residual data are normally distributed. This finding is further supported by the graphical analysis shown in the Normal Probability Plot (Figure 1), where the data points are observed to follow the diagonal line, confirming the normality of the residual distribution.

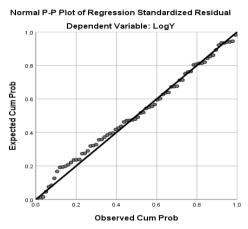


Figure 1. P Normal PP Plot Source: SPSS vs 26

Based on the results shown in the figure above, the plotted points in the Normal P-P Plot of Regression Standardized Residual consistently follow and closely align with the diagonal line. Therefore, according to the decision criteria in the normality test using the probability plot technique, it can be concluded that the residual values are normally distributed. Thus, the normality assumption for residuals in the simple linear regression analysis of this study is fulfilled.

Subsequently, a multicollinearity test was conducted. This test aims to determine whether there are two or more independent variables that are linearly correlated. If such a condition exists, it becomes difficult to distinguish the individual effects of each independent variable on the dependent variable. To detect potential multicollinearity in the research model, the tolerance value and the Variance Inflation Factor (VIF) are examined. A tolerance value greater than 0.10 and a VIF value less than 10.00 indicate the absence of multicollinearity among the independent variables (Indartini & Mutmainah, 2024). The results of the multicollinearity test in this study are presented in Table 2.

Table 2. Multicollinearity Test

		Collinearity Statistics		
Model		Tolerance	VIF	
1	(Constant)			
	LogX1	.867	1.153	
	LogX2	.899	1.113	
	LogM	.785	1.273	

Source: SPSS vs 26

Based on the table above, it can be concluded that no multicollinearity occurs in the data used in this study. This conclusion is supported by the tolerance values, which are all greater than 0.10—specifically 0.867, 0.899, and 0.785—and the Variance Inflation Factor (VIF) values, which are all less than 10.00, namely 1.153, 1.113, and

1.273. Therefore, it can be inferred that there is no multicollinearity among the independent variables.

The next test is the autocorrelation test, conducted to determine whether there is a correlation between the residuals of period t and the residuals of the previous period (t-1). A good regression model should be free from autocorrelation. The detection of autocorrelation is performed by comparing the Durbin-Watson (DW) statistic value obtained from the model with the critical d values in the Durbin-Watson table. The results of the autocorrelation test in this study are presented in Table 3.

Table 3. Autocorrelation Test

Model Summary^b

Adjusted R Std. Error of the

Model R R Square Square Estimate Durbin-Watson

1 .264a .070 .029 .37212 .784

a. Predictors: (Constant), LogM, LogX2, LogX1

b. Dependent Variable: LogY

Source: SPSS vs 26

Based on the table above, the Durbin-Watson value is 0.784. According to Ghozali (2013), a Durbin-Watson statistic ranging between -2 and 2 indicates the absence of autocorrelation. Since the obtained value of 0.784 lies within this interval, it can be concluded that the multiple linear regression model is free from autocorrelation issues.

Next, the heteroscedasticity test aims to determine whether there is an inequality of variance in the residuals across different observations. A good regression model should exhibit no heteroscedasticity. To detect heteroscedasticity, this study employs the Glejser test. The decision criterion for this test is as follows: if the significance value (Sig.) ≥ 0.05 , it can be concluded that there is no heteroscedasticity problem; conversely, if the significance value < 0.05, heteroscedasticity is present. The results of the heteroscedasticity test are presented in Table 4.

Table 4. Heteroskedasticity Test

			Coefficients	a		
				Standardized		
		Unstandardized	Coefficients	Coefficients		
Model		В	Std. Error	Beta	t	Sig.
1	(Constant)	.141	.082		1.720	.090
	LogX1	.044	.067	.079	.659	.512
	LogX2	562	.177	376	678	.522
	LogM	.001	.026	.007	.057	.955
_	1 77 111					

a. Dependent Variable: Absres

Source: SPSS vs 26

Based on the calculation results above, it is found that the significance values for the variables Financial Performance, Sustainability Performance, and Dividend are all greater than 0.05 (specifically 0.512, 0.522, and 0.955, respectively). Therefore, it can be concluded that no heteroscedasticity occurs among the independent variables in the

regression model, indicating that the model is appropriate for use. The scatterplot graph illustrating this result is presented in Figure 2.

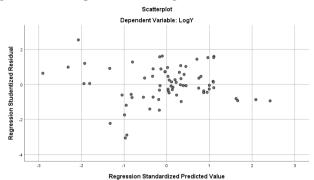


Figure 2. Scatterplot Source: SPSS vs 26

The results of the heteroscedasticity test displayed in the scatterplot indicate that the residual points are randomly distributed around the horizontal line at zero, both above and below it. The points do not form any specific pattern such as tapering, widening, or a systematic wave shape. This indicates that the regression model used does not experience heteroscedasticity problems. Therefore, the classical assumption of homoscedasticity has been met, meaning the regression model is appropriate for further analysis.

Hypothesis Testing

After all classical assumption tests were fulfilled, a multiple linear regression analysis was conducted to examine the effect of Financial Performance and Sustainability Performance on Firm Value. The results of the multiple linear regression equation are presented in Table 5.

Table 5. Multiple Linear regression Result

		able of Mainpi	bimemi regre	ssion resure		
			Coefficients ^a			
				Standardized		
		Unstandardized	l Coefficients	Coefficients		
Model		В	Std. Error	Beta	t	Sig.
1	(Constant)	078	.102		770	.444
	LogX1	.110	.105	.123	1.047	.299
	LogX2	.477	.282	.198	2.690	.005
o Dono	ndant Variable	·LogV				

a. Dependent Variable: LogY Source: SPSS vs 26

Based on the table above, the following regression equation is obtained:

$$Y = -0.078 + 0.110 X1 + 0.477X2$$

In the regression model, the constant value obtained is -0.078. This coefficient indicates that when it is assumed that there are no changes in the variables Financial Performance (ROA) and Sustainability Performance (ESG Score), the change in Firm Value equals the constant, which is -0.078. Thus, the tendency of firm value remains

relatively stable without considering the influence of Financial Performance (ROA) and Sustainability Performance (ESG Score).

In the multiple regression equation, the Financial Performance (ROA) variable has a positive regression coefficient of 0.110. The positive coefficient indicates that the higher the Financial Performance (ROA), the greater the tendency for the Firm Value to increase by 0.110, assuming that other factors, such as Sustainability Performance (ESG Score), remain constant. Conversely, if ROA decreases, the firm value tends to decrease as well.

Furthermore, in the regression model, the Sustainability Performance (ESG Score) variable has a positive regression coefficient of 0.477. The positive sign indicates that an increase in the ESG Score will lead to an increase in Firm Value by 0.477, assuming other variables remain constant. This implies that companies with higher sustainability performance tend to have higher firm value.

The t-test statistic essentially measures the extent to which an individual independent variable affects the dependent variable. This partial test is conducted by comparing the calculated *t*-value with the *t*-table value. If the *t*-value is greater than the *t*-table value and the significance level is below 0.05, then H₀ is rejected and H_a is accepted, indicating a partial influence between the independent and dependent variables. Otherwise, if the significance value is greater than 0.05, H₀ is accepted, meaning no significant influence exists.

Based on the table above, the Financial Performance (ROA) variable has a significance value of 0.299, which is greater than 0.05. Therefore, according to the testing criteria, if the significance value is greater than 0.05, it can be concluded that Financial Performance (ROA) has no significant effect on Firm Value. This result indicates that H_1 is rejected and H_0 is accepted, implying that ROA does not significantly affect firm value.

Meanwhile, the Sustainability Performance (ESG Score) variable has a significance value of 0.005, which is smaller than 0.05. Therefore, based on the testing criteria, it can be concluded that Sustainability Performance (ESG Score) has a significant effect on Firm Value. This result indicates that H₂ is accepted and H₀ is rejected, meaning ESG performance significantly influences firm value.

Furthermore, the coefficient of determination (R²) test from the regression results shows the extent to which the dependent variable (Firm Value) can be explained by the independent variables. The R² results are presented in Table 6.

Table 6. Coefficient of Determination Test Result							
Model Summary ^b							
			Adjusted R	Std. Error of the			
Model	R	R Square	Square	Estimate			
1	.437a	.356	.329	.37205			
a. Predictor	rs: (Constar	t), LogX2, Lo	gX1				
b. Depende	b. Dependent Variable: LogY						

Source: SPSS vs 26

Berdasarkan Based on the table above, the coefficient of determination (R^2) is 0.356. This means that the contribution of the Financial Performance (ROA) and Sustainability Performance (ESG Score) variables in explaining Firm Value is 35.6%, while the remaining 64.4% is explained by other factors not included in this study. Furthermore, the F-test statistic essentially shows the extent to which the independent variables simultaneously influence the dependent variable. This simultaneous test is conducted by comparing the significance value to the threshold of 0.05. If the significance value is below 0.05, then H_0 is rejected and H_a is accepted, indicating that the independent variables simultaneously have a significant effect on the dependent variable; otherwise, if the significance value is above 0.05, then H_0 is accepted and H_a is rejected.

Table 7. Simultaneous Test Result

	Table 7. Simultaneous Test Result							
ANOVAa								
Model		Sum of Squares	df	Mean Square	F	Sig.		
1	Regression	.569	2	.285	8.706	.036 ^b		
	Residual	9.551	69	.138				
	Total	10.120	71					
a. Depe	ndent Variable:	LogY						
b. Predi	ictors: (Constan	t), LogX2, LogX1						

Source: SPSS vs 26

Based on the table above, the independent variables have a significance value of 0.036, which is less than 0.05. Therefore, according to the established testing criteria, if the significance value is below 0.05, it can be concluded that Financial Performance (ROA) and Sustainability Performance (ESG Score) jointly have a significant effect on Firm Value.

Moderated Regression Analysis (MRA)

The hypothesis testing in this study uses Moderated Regression Analysis (MRA). MRA is a special application of multiple linear regression in which the regression equation contains an interaction term (the product of two or more independent variables). The purpose of MRA is to test the relationship between independent and dependent variables, where the relationship may be strengthened or weakened by a moderating variable. The results of the Moderated Regression Analysis (MRA) are presented in Table 8.

Table 8. Moderated Regression Analysis

	1 4010 01 1/2	tower wiew Hegi	Coston Minings		
		Coefficient	ts ^a		
	Standardized				
	Unstandardized	Coefficients	Coefficients		
odel	В	Std. Error	Beta	t	Sig.
(Constant)	.078	.263		.298	.766
LogX1	045	.203	051	-2.224	.024
LogX2	.054	1.353	.023	.040	.968
LogM	.072	.116	.219	2.916	.040
X1_M	051	.083	160	610	.544
	LogX1 LogX2	Unstandardized odel B (Constant) .078 LogX1 045 LogX2 .054 LogM .072	Coefficients odel B Std. Error (Constant) .078 .263 LogX1 045 .203 LogX2 .054 1.353 LogM .072 .116	Odel B Std. Error Beta (Constant) .078 .263 LogX1 045 .203 051 LogX2 .054 1.353 .023 LogM .072 .116 .219	Coefficients Standardized Unstandardized Coefficients Standardized odel B Std. Error Beta t (Constant) .078 .263 .298 LogX1 045 .203 051 -2.224 LogX2 .054 1.353 .023 .040 LogM .072 .116 .219 2.916

X2_M	124	.535	152	-2.232	.018

a. Dependent Variable: LogY

Sumber: SPSS vs 26

$$CI = 0.078 - 0.045 X1 + 0.054 X2 + 0.072 M - 0.051 X1*M - 0.124 X2*M + e$$

Interpretation of the regression coefficients is as follows:

- a. The constant is 0.078 with a significance value of 0.766 (> 0.05), indicating that the constant is not statistically significant. In other words, if Financial Performance, Sustainability Performance, and Dividends are all equal to zero, the firm value (PBV) remains at the baseline level with no meaningful change. This suggests that the independent variables and the moderator play a more important role in explaining firm value than the model intercept.
- b. The regression coefficient for Financial Performance (ROA) is -0.045 with t = -2.224 and p = 0.024 (< 0.05). This result indicates that financial performance has a negative and significant effect on firm value. That is, a one-unit increase in ROA is associated with a 0.045-unit decrease in firm value, assuming other variables are held constant. This phenomenon may occur because higher ROA is not necessarily accompanied by attractive dividend policies or strong business sustainability, so the market may not interpret high profitability as stronger long-term firm value.
- c. The regression coefficient for Sustainability Performance (ESG Score) is 0.054 with t = 0.040 and p = 0.968 (> 0.05). This implies that sustainability performance does not have a significant effect on firm value in this model. In other words, increases in ESG Score have not directly translated into higher market valuation, possibly due to limited investor awareness or attention to sustainability practices during the observation period.
- d. The Dividend variable has a positive coefficient of 0.072 with t = 2.916 and p = 0.040 (< 0.05). This indicates that dividend policy has a positive and significant effect on firm value: larger dividend distributions are associated with higher firm value as perceived by investors. This finding aligns with signaling theory, where dividend payouts signal future earnings prospects and financial stability, thereby boosting investor confidence and market valuation.
- e. The interaction term X1_M (ROA × Dividend) has a coefficient of -0.051 with t = -0.610 and p = 0.544 (> 0.05). This means dividends do not significantly moderate the relationship between financial performance and firm value. Thus, dividend level neither strengthens nor weakens the effect of ROA on PBV; the relationship between profitability and firm value appears to be direct rather than contingent on dividend policy.
- f. The interaction term X2_M (ESG Score × Dividend) has a coefficient of -0.124 with t = -2.232 and p = 0.018 (< 0.05), indicating that dividends significantly moderate the relationship between sustainability performance and firm value in a negative direction. In other words, higher dividend payouts weaken the positive effect of ESG on firm value. This may happen because investors prioritize short-term returns (dividends) over long-term sustainability benefits; consequently, even firms with good ESG scores see a reduced positive impact on market value when they distribute high dividends.

5. Discussion

The Effect of Financial Performance (ROA) on Firm Value

The findings indicate that financial performance, measured by Return on Assets (ROA), does not have a significant direct effect on firm value in the initial model. This suggests that profitability alone is not sufficient to drive market perceptions of firm value within the oil, gas, and lubricant sector in Southeast Asia. As argued by Martini and Siddi (2021) and Siddik and Asri (2025), profitability reflects operational efficiency but does not automatically translate into higher firm value unless supported by effective strategic management and investment decisions.

Interestingly, when dividends are introduced as a moderating variable, the relationship between ROA and firm value becomes significant but negative. This implies that higher profitability followed by increased dividend distribution may be perceived by investors as limiting reinvestment potential, thereby weakening expectations of future growth. This interpretation aligns with Prayoga and Kristianti (2020), who noted that dividend payouts may reflect short-term management priorities rather than sustainable value creation. Similarly, Panda et al. (2024) emphasize that firms prioritizing dividend distribution over reinvestment may experience slower long-term expansion, resulting in lower valuation by the market.

Therefore, the findings suggest that investors in this sector may prioritize firms that balance profitability with strategic reinvestment rather than those focusing solely on dividend payments. Profitability remains important, but its contribution to firm value depends on how earnings are utilized to sustain competitiveness and future performance (see Noviyanti et al., 2021; Suhadak et al., 2020).

The Effect of Sustainability Performance (ESG Score) on Firm Value

The results show that sustainability performance, reflected by the ESG score, positively influences firm value. This supports the notion that companies with strong environmental, social, and governance practices are perceived as more resilient and better positioned for long-term growth. According to Farhan (2024) and Manulang and Soeratin (2024), effective ESG implementation enhances a company's reputation and reduces non-financial risks, which in turn strengthens investor trust and increases valuation. Likewise, Escobar-Saldívar et al. (2025) found that higher ESG scores tend to reduce stock return volatility and improve long-term performance stability.

However, when dividend policy is considered, the positive impact of ESG performance on firm value diminishes. This indicates that dividend distribution may shift investor focus from long-term sustainability goals toward short-term profitability. As Suhartini et al. (2024) argue, firms that emphasize dividend payouts often experience reduced market attention to non-financial aspects such as sustainability disclosures. This outcome suggests that the market still tends to prioritize financial returns over sustainability benefits.

From a theoretical perspective, this finding reflects the tension between Signaling Theory and Stakeholder Theory. While ESG disclosures serve as a signal of corporate responsibility and long-term stability (as supported by Indriastuti and Chariri, 2021; Werastuti, 2022), dividend distribution operates as a competing financial signal that may overshadow sustainability commitments. As a result, high dividend payments can weaken the perception of ESG performance as a determinant of firm value, consistent with findings by Arhinful et al. (2025) on the dominance of financial signals in shaping corporate reputation.

Dividend as a Moderator of the Relationship between Financial Performance and Firm Value

The analysis indicates that dividend policy does not significantly moderate the relationship between financial performance and firm value. This suggests that profitability's effect on firm value operates independently of dividend distribution decisions. In other words, investors evaluate a firm's profitability as a reflection of its operational capability rather than as an outcome of its dividend policy. Jasmine and Machdar (2025) and Saida et al. (2025) similarly found that dividend policy often fails to amplify the effect of profitability on firm value, as investors rely more on fundamental indicators such as profit growth and investment potential.

Moreover, when dividends are large, they may actually reduce available internal funds for reinvestment, thereby constraining growth opportunities. This aligns with Panda et al. (2020) and Suhadak et al. (2020), who observed that firms emphasizing dividend payouts over retained earnings tend to experience slower capital accumulation. Thus, dividend policy in this context functions more as a distribution mechanism rather than a value-creating strategy.

Dividend as a Moderator of the Relationship between Sustainability Performance and Firm Value

In contrast, dividend policy significantly moderates the relationship between sustainability performance and firm value, but in a negative direction. This means that while ESG performance initially enhances firm value, its effect diminishes when high dividend payouts are introduced. Investors appear to prioritize immediate financial rewards over long-term sustainability initiatives, particularly in industries with high capital intensity such as oil and gas.

This phenomenon can be interpreted through Signaling Theory and Stakeholder Theory. According to Arhinful et al. (2025), financial signals such as dividends often dominate market perception, overshadowing non-financial signals like ESG performance. Meanwhile, Suhartini et al. (2024) and Farhan (2024) emphasize that while sustainability practices enhance legitimacy and long-term value, investors' preference for short-term returns may dilute these benefits. Consequently, even companies with strong ESG performance might not experience higher firm value if their dividend policies are too aggressive.

This finding reflects the persistent dominance of shareholder-oriented behavior in Southeast Asian capital markets, where short-term profitability remains a key driver of investment decisions. Firms must therefore balance dividend policies with sustainability investments to maintain both investor confidence and long-term corporate value (see Ihsan & Zuraida, 2024; Manulang & Soeratin, 2024; Abdi et al., 2022).

6. Conclusions

The findings of this study indicate that financial performance, as measured by Return on Assets (ROA), does not have a significant effect on firm value in the initial model. However, when moderated by dividend, the relationship becomes significant with an opposite direction. This result suggests that dividend policy plays a role in altering the nature of the relationship between profitability and firm value. Dividend distribution, as a form of shareholder return, may shift investor perception from a long-term focus on profit growth toward a short-term focus on cash returns. Consequently, firms that prioritize high dividend payouts are not necessarily perceived as having greater value, since investors may view excessive dividend payments as reducing internal funds that could otherwise be allocated for future expansion or business development.

Meanwhile, sustainability performance as measured by the ESG Score shows a positive and significant effect on firm value in the initial model, indicating that sustainability practices are still regarded by investors as important indicators of reputation, stability, and good corporate governance. However, after being moderated by dividend, the effect becomes insignificant. This implies that dividend policy does not strengthen the relationship between sustainability performance and firm value. When dividends are taken into account in investment decisions, investors tend to prioritize financial returns over sustainability performance.

Overall, the results of this study confirm that dividend policy has a moderating effect on the relationship between financial performance and firm value but does not play a similar role in the relationship between sustainability performance and firm value. Therefore, companies should manage their dividend policies in a balanced manner so as not to compromise sustainability performance or the firm's long-term value in the eyes of investors.

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