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The Effect of Dividend Policy and Environmental Social Governance on Company Performance with Moderation of Good Corporate Governance in IDX LQ45 Companies

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ABSTRACT

This study aims to analyze the effect of dividend policy and environmental social governance (ESG) on company performance as measured by Tobins'q and stock prices with moderation of Good Corporate Governance (GCG) in companies listed on the LQ45 Index of the Indonesia Stock Exchange (IDX) for the period 2019-2023. The research sample using purposive sampling method obtained 20 companies that entered the criteria to be sampled. The results showed that dividend policy has no effect on company performance as measured by tobin's q and stock price, ESG has no effect on company performance as measured by tobin's q and stock price, financial leverage has no effect on company performance as measured by tobin's q, but financial leverage has an influence with a negative relationship direction on company performance as measured by stock price, company size has a negative and significant effect on company performance as measured by tobin's q, but company size has a positive influence on company performance as measured by tobin's q, GCG moderation proves to have no effect between dividend policy on company performance as measured by Tobin's q, but GCG moderation proves to have a negative effect between dividend policy on company performance as measured by stock prices, GCG moderation has a negative effect between ESG on company performance as measured by Tobins' q, but GCG moderation proves to have no effect between ESG on company performance as measured by stock prices. This research has important implications for companies and investors. For companies, it is important to implement an optimal dividend policy and commit to ESG principles to improve company performance. For investors, these findings can help in making investment decisions by considering factors such as dividend policy, ESG, and corporate governance.

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INTRODUCTION

Previous studies show that listed companies with high dividend payouts have higher market valuations in emerging capital markets as is the case in Vietnam. Moreover, there is evidence that companies that pay cash dividends also have higher investor valuations (Truong et al., 2023).. In Indonesia itself, the Indonesian capital market recognizes that dividends are a component of investment. The decisions made by companies on how they will distribute profits to their

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shareholders are an important part of their financial strategy and can affect how investors view the value and stability of the company. Companies need to have an effective profit management strategy to determine an appropriate dividend policy. This decision involves striking a balance between distributing profits to shareholders (dividends) and retaining profits for investment and corporate growth.

Dividend policy plays a crucial role for the company. The decision to distribute dividends can maintain a positive corporate image. This has a significant impact on company profits, considering that each company has considerations in determining the amount of dividends distributed to its shareholders. Companies that pay dividends in each period will attract potential investors. Dividend distribution can also be an indicator of financial health and company performance for investors. If a company continues to pay dividends consistently and increases the amount over time, this can be a positive signal to investors about the company's performance and long-term prospects. (Njoku & Lee, 2024). In addition to dividend payout ratio, other variables such as leverage, and firm size are also found to be variables that affect firm performance.

The phenomenon of dividend distribution in Indonesia for LQ45 companies may vary depending on various factors, including company performance, the dividend policy itself, and overall market conditions. LQ45 is a major benchmark on the Indonesia Stock Exchange (IDX) that measures the share price performance of the 45 most liquid companies in Indonesia. Investors will consider a good dividend payout ratio when buying company shares. Therefore, investors can use the dividend payout ratio as a consideration in making decisions in investing in stocks (Onggrasari & Prasetyo, 2020). However, dividend distribution decisions must be balanced and consider the long-term interests and needs of the company to maintain future growth and investment.

The global focus on Environmental Social Governance (ESG) has increased in line with the Sustainable Development Goals. ESG has become a key consideration for investors in selecting companies to invest in, aligned with their commitment to realizing sustainable development goals. In addition to playing an important role in corporate reporting systems, ESG reporting provides a platform for investors and stakeholders to assess the risks and impacts of a company's ESG practices. The Indonesia Stock Exchange (IDX) collaborates with Morningstar Sustainalytics to assess the ESG practices of listed companies. The IDX's commitment to ESG and sustainable investment drives a company's ESG score as a key indicator in assessing a company's environmental and social responsibility, which results in improved company performance and share price (Ademi & Klungseth, 2022).

Company performance is like a pulse that provides an overview of the health and strength of the company. Through performance, we can see the various business activities and achievements that the company has made. Interestingly, firm size also plays an important role in determining performance. The size of the company (firm size) has an influence on its performance. Large-scale companies are generally easier to obtain internal and external funding due to their larger scale and more assets. This certainly attracts investors and has an impact on the value of the company. So that it can be said, firm size directly affects firm value (Shibutse et al., 2019).. This is because the amount of assets and funds required by the company is generally directly proportional to its size. The amount of funds used has an impact on revenue, which of course will be followed by movements in company profits which will improve company performance and ultimately increase the company's share price.

Developed countries have long paid attention to the implementation of GCG. In the international arena, attention to GCG increased as a result of major crises, such as the US economic crisis in 1929 and the UK banking crisis in 1970. In Indonesia, the issue of GCG has emerged since the 1990s, and continued to grow in 1996 when the Indonesian government cooperated with foreign countries to provide aid, indicating Indonesia's economic and political improvement. However, in the third quarter of 1997 there was a major crisis in Indonesia, therefore the implementation of good GCG is very influential for companies. The implementation of Good Corporate Governance (GCG) not only increases the effectiveness of asset management and generates higher profits, but also boosts the overall performance of the company, thereby attracting investors to invest their capital. (Suhara & Susilowati, 2022)..

Based on the research background above, especially research (Truong et al., 2023) which examines "Dividend Policy Affects Company Performance in the Vietnamese Stock Market" found

that the dividend payout ratio significantly affects business performance, and investors prefer to receive dividends in cash. So this study aims to investigate the effect of dividend policy on market performance with moderation of Good Corporate Governance, where the novelty in this study is stock price as a proxy for the dependent variable and Good Corporate Governance (GCG) as a moderating variable.

THEORETICAL BASIS AND HYPOTHESIS DEVELOPMENT

Spence M. (1973) originally developed signaling theory based on the knowledge gap observed between organizations and prospective employees. Later, having been adapted to many other fields, such as business and financial markets, this theory helps people communicate better under conditions of asymmetric information. A signal can be an action or a statement that reveals a set of information. Many experts state that dividend policy can be seen as a signal from companies and has an impact on their share price. In particular, a high dividend payout is considered a positive sign of company health and earnings growth for investors, thus leading to an increase in stock prices. The method of dividend payment also provides important information for investors. Dividend payments in cash are generally considered a positive sign of a company's financial health and its ability to generate sustainable profits. (Budagaga, 2017).

Jensen and Meckling (1976) describe agency theory as an agreement relationship called the nexus of contract, between the authorizer (shareholder) and the recipient of authority (manager) to perform several services in the interests of shareholders. This agency theory explains the business mechanism of a company that is no longer run by the company owner but by someone else.

On the way, managers often make decisions that conflict with the company's goal of maximizing shareholder wealth, the shareholders certainly want as much profit as possible, while the managers want as much bonus as possible. So that these two parties will always conflict due to differences in goals. so that a conflict called the agency problem arises. From this agency problem, agency costs will arise, namely costs arising from these differences in interests. So according to this theory, dividends can be used as a tool to minimize these agency problems.

From an agency point of view, high dividend payments are a means of minimizing the availability of free cash flow in the hands of managers. Thus, it can prevent managers from investing in unprofitable projects or using the availability of free cash flow to consume expensive goods (Al-Malkawi et al., 2016).

Dividend policy is strongly influenced by company performance. The choice of dividend policy can affect how investors view the value and performance of the company. A ratio called the dividend payout ratio can be used to indicate the amount of dividends paid to shareholders (Truong et al., 2023). Dividend distribution decisions are crucial issues that have the potential to cause conflicts of interest. Effective GCG implementation is a solution to balance interests, build trust, and encourage sustainable business growth. By implementing GCG, companies can not only avoid conflicts of power, but also increase corporate value and achieve long-term success. (Puspaningsih & Pratiwi, 2017).

Strong GCG implementation is not just an option, but a necessity for companies that want to achieve superior performance. By effectively implementing GCG principles, companies can increase profitability, build stakeholder trust, and achieve long-term success (Arfianti & Anggraini, 2023). With increased compliance with GCG, it is expected that the company can improve its performance, which in turn will increase the value of its shares (Shakil, 2021).

One way to find out how much profit a company gives to its shareholders is to calculate the dividend payout ratio known as the Dividend Payout Ratio (DPR), which is obtained by dividing dividends per share by net income per share. Study by (Clement & Niyi, 2022) found a positive relationship between dividend payout ratio and company performance. This means that the increase in DPR means the better the company's performance, which in turn affects the stock price. Meanwhile, according to research (Nguyen et al., 2021) and (Bossman et al., 2022) found that DPR has a negative effect on company performance. According to other research (Velnampy et al., 2014), (Nuriksani & Sari, 2022) which reveals that DPR does not affect company performance.

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Research (Truong et al., 2023), (Clement & Niyi, 2022) show that a high dividend payout ratio is generally associated with good company performance. This shows that DPR can be a useful tool for companies to increase value for their shareholders. So it can be said that DPR has a positive influence on company performance, the higher the DPR, the better the company's performance. Meanwhile, according to research (Nguyen et al., 2021) and (Bossman et al., 2022) It is found that DPR has a negative effect on company performance. Therefore, in proving it against companies in Indonesia, the first hypothesis is determined as follows:

H1: Dividend payout ratio affects company performance.

Research (Ashary & Kasim, 2020) stated that GCG as a moderating variable weakens the relationship between dividend payout ratio on company performance and leverage on company performance which ultimately affects stock prices. Meanwhile, research (Noviani et al., 2019) stated that GCG is a moderating variable that has the ability to strengthen the effect of profitability on company performance, where increased profitability will affect dividend policy and stock prices. This is in line with research (Sari & Wahidahwati, 2018), (Arfianti & Anggraini, 2023). Therefore, in proving it to companies in Indonesia, the fifth hypothesis is formulated as follows:

H2: Dividend payout ratio affects company performance moderated by good corporate governance.

Some studies such as those conducted by (Bodhanwala & Bodhanwala, 2018), (Landi & Sciarelli, 2018) support empirical evidence that shows a significant positive correlation between the company's ESG implementation and the company's performance results. Therefore, the implementation of ESG in the company means that the company's performance will be better. In contrast to research (Duque & Aguilera, 2021) and (Priandhana, 2022) shows another perspective, they argue that ESG has a negative impact on company performance because companies must incur costs to meet ESG disclosure requirements and companies must allocate their resources to meet ESG fulfillment requirements. Therefore, in proving it to companies in Indonesia, the second hypothesis is determined as follows:

H3: Environmental social governance affects firm performance

Good ESG implementation requires the implementation of a good GCG mechanism as well because GCG has a significant positive effect on company performance (Oktaryani et al., 2022), (Li et al., 1995). Therefore, the more ESG disclosure of a company, the better the company's performance so that it can be said that GCG strengthens the influence of ESG on company performance.

Research (Noval et al., 2021) states that environmental performance (ESG) has a positive influence on company performance. Companies that have good governance will strengthen the influence of ESG on company performance. Therefore, in proving it against companies in Indonesia, the sixth hypothesis is formulated as follows:

H4: Environmental social governance affects company performance moderated by good corporate governance.

RESEARCH METHOD

This study uses hypothesis testing, to evaluate the influence between the independent variables, namely Dividend Policy (Dividend Payout Ratio) and ESG, on the dependent variable, namely Company Performance (Share Price and Tobin's Q). In addition, there are moderating variables, namely Good Corporate Governance (Board Meeting, Board Size), and control variables (Financial Leverage, Firm Size).

This research data comes from IDX LQ45 companies listed on the IDX from 2019-2023. Of the 45 companies included in IDX LQ 45, the companies that have data according to the research variables during the 2019-2023 period are 20 companies. Panel data regression uses Common effect, fixed effect and random effect data models. Furthermore, the available data is processed and tested using e-views 9 and SPSS 25 software. The measurement of each variable in this study can be seen in Table 1.

Table 1. Variables and Measurements

Variables	Measurement	Source
Dependent		
Market Performance	Stock Price = closing price of companies listed as IDX LQ45 on the IDX for the 2019-2023 period. Tobin's Q = $\frac{(\boldsymbol{Current\ Price\ x\ Total\ Share}) + \boldsymbol{Total\ Liabilities}}{\boldsymbol{Total\ Assets}}$	Elnissa Hanifah Onggrasari, Ari Prasetyo (2020)
Independent		
Dividend Policy	Dividend Payout Ratio = $\frac{Dividend}{Laba\ bersih} x100\%$	Loc Dong Truong; Tran My Ngo; & Ngan Ngoc Huynh (2023)
ESG	ESG Risk Rating	Bejtush Ademi; Nora Johanne Klungseth (2022)
Moderation		
Good Corporate Governance	Board Meeting = number of board meetings per year Board Size = number of board of directors in a company	Susy Muchtar & Elsa Darari (2012)
Control		
Firm Size	**SIZE = Ln (Total Assets)**	Loc Dong Truong; Tran My Ngo; & Ngan Ngoc Huynh (2023)
Financial Leverage	LEV = $\frac{Total\ Liability}{Equity}$	Loc Dong Truong; Tran My Ngo; & Ngan Ngoc Huynh (2023)

This research takes samples from companies that meet certain criteria. Sampling is done by purposive sampling method. Some of the criteria used in this study are as follows: (1) Companies listed on the Indonesia Stock Exchange and included in the IDX LQ45 index in the 2019-2023 period; (2) The company has the required data in accordance with the research variables; (3) Companies that are included in the IDX LQ45 and have an ESG assessment conducted by Morningstar Sustainalytics in full during the 2019-2023 period. (4) IDX LQ45 companies and distribute dividends during the 2019-2023 period. Based on the sample withdrawal criteria in table 5, there are 20 companies on the IDX LQ45 listed on the IDX.

This study uses a pooled regression model for the Stock Price model as stated in the following equation:

$$Tobin'sQ_{it} = \alpha + \beta_1 ESG_{it} + B_5 ESG_{it} \text{ x } \beta_6 GCG_{\ it}\ \beta_2 LEV_{it} + \beta_3 SIZE_{it} + \beta_4 GCG_{it} + \varepsilon_{it} \quad \text{.....(1)}$$

$$Harga\ Saham_{it} = \alpha + \beta_1 ESG_{it} + B_5 ESG_{it} \text{ x } \beta_6 GCG_{\ it}\ \beta_2 LEV_{it} + \beta_3 SIZE_{it} + \beta_4 GCG_{it} + \varepsilon_{it} \quad \text{.....(2)}$$

$$Tobin'sQ_{it} = \alpha + \beta_1 DPR_{it} + B_5 DPR_{it} \text{ x } \beta_6 GCG_{\ it}\ \beta_2 LEV_{it} + \beta_3 SIZE_{it} + \beta_4 GCG_{it} + \varepsilon_{it} \quad \text{….....(3)}$$

$$Harga\ Saham_{it} = \alpha + \beta_1 DPR_{it} + B_5 DPR_{it} \text{ x } \beta_6 GCG_{\ it}\ \beta_2 LEV_{it} + \beta_3 SIZE_{it} + \beta_4 GCG_{it} + \varepsilon_{it} \quad \text{.....(4)}$$

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RESULTS AND DISCUSSION

Based on the sample withdrawal criteria in Table 2, there are 20 companies on the IDX LQ45 listed on the IDX. The 20 companies are grouped into 7 sectors, namely 1) Energy, 2) Basic Materials, 3) Industrials, 4) Consumer Non-Cylicals, 5) Healthcare, 6) Financials, 7) Infrastructures. After classifying the sample in this study, it is dominated by companies engaged in the basic materials, consumer non-cylicals and financials sectors. While the least number of companies is companies engaged in the healthcare sector, namely 1 company. The following are details of the sector groupings on the IDX LQ45 listed on the IDX:

Table 2. Sector Grouping

No.	Sector	Total	Percentage
1	Energy	3	15%
2	Basic Materials	4	20%
3	Industrials	2	10%
4	Consumer Non-Cyclicals	4	20%
5	Healthcare	1	5%
6	Financials	4	20%
7	Infrastructures	2	10%
	Total	20	100%

Source: Data processed (IDX)

The sample used in the study was first tested for outliers from a total of 100 samples, there were 3 outlier data, so that for the Tobin's Q model, 97 sample data were obtained. For the Tobin's Q model, from a total of 100 samples, there are 5 outlier data, so that for the Tobin's Q model, 95 sample data are obtained.

Descriptive statistics have the aim of providing an explanation of the characteristics of a data, so that an understanding of the specific characteristics of the data group can be known. The results of descriptive data testing, namely displaying the amount of data, maximum value, minimum value, average value (mean) and standard deviation. The highest and lowest values of each variable are indicated by the maximum and minimum values. The middle value of each variable is calculated using the mean value. The homogeneity value of each variable is calculated using the standard deviation value.

DPR and ESG are independent variables in this study. Company performance measured by Tobins'Q (TQ) and Stock Price (SP) are the dependent variables. In addition, this study has a moderator variable, namely GCG, as well as control variables LEV, SIZE. Table 3 shows the results of descriptive statistical analysis.

The average value for the DPR variable is 58.5692 with a standard deviation of 31.6491, indicating that DPR has quite fluctuating data variations. The minimum value of 2.01 is owned by INKP in 2022 and the maximum value of 147.8 belongs to INTP in 2020. Descriptive statistics for the Leverage variable produce an average value of 1.8960. The standard deviation value of 2.0491 which is greater than the average indicates fluctuations. The minimum value of 0.170 is owned by KLBF in 2023 and the maximum value of 6.897 is owned by BBNI in 2020.

ESG has a relatively low average value of 33.6134% on a scale of 1 to 100. The standard deviation value of 7.2824 shows that the variation in ESG value data is relatively less volatile. The minimum ESG value of 18.84 is owned by BBRI in 2023 and the maximum value of 50.64 is owned by CPIN in 2021.

The Size variable has an average value of 32.4813. The standard deviation value of 1.4665 shows that the variation in Size value between one company and another is relatively homogeneous. The minimum value of 30.4297 is owned by ITMG in 2020 and the maximum value of 35.3154 is owned by BMRI in 2023.

The results of descriptive statistical calculations for the Tobins'Q variable produce an average value of 1.4979. The standard deviation value of 0.7694 shows that there is a significant variation in data between one company and another. The minimum value of 0.6978 was owned by INKP in 2019 and the maximum value of 3.9438 was achieved by CPIN in 2022.

The results of descriptive statistical calculations for the Stock Price variable produce an average value of 6618.16. The standard deviation value of 5063.864 indicates a significant variation

in data between one company and another. The minimum value of 840 is owned by ANTM in 2020 and the maximum value of 26,660 is owned by UNTR in 2023.

Descriptive statistics for the GCG variable produce an average value of 55.7639. The standard deviation value of 18.8891 indicates that the data variation is quite volatile between one company and another. The minimum value of 26.923 is owned by UNVR in 2021 and the maximum value of 96.154 is owned by BBNI in 2023.

Table 3. Descriptive Statistical Analysis Results

Variable	N	Mean	Std Deviation	Min	Max
Tobins'Q Model					
DPR	95	56.3685	30.0712	2.01	147.80
ESG	95	33.6134	7.2824	18.84	50.64
LEV	95	1.772	2.0524	0.170	6.897
SIZE	95	32.5486	1.4307	30.4297	35.3154
TQ	95	1.4979	0.7694	0.6978	3.9438
GCG	95	56.5223	18.5454	28.929	96.154
Stock Price Model					
DPR	97	58.5692	31.2311	2.01	147.80
ESG	97	32.6491	7.8682	17.56	50.64
LEV	97	1.8960	2.0491	.170	6.897
SIZE	97	32.4813	1.4665	30.4297	35.3154
SP	97	6618.16	5063.864	840	26600
GCG	97	55.7639	18.8991	26.923	96.154

Source: SPSS 25 output processed

Table 4. shows the test results of the dividend payout ratio (DPR) variable with a positive coefficient value of 2.961297. The p-value of the t statistic is 0.8239> 0.05, which means Ho is accepted and Ha is rejected, so it can be concluded that DPR has no effect on stock prices.

The moderation variable DPR * GCG has a coefficient value of -866.3944 and a probability of 0.1000, which means that an increase in DPR will reduce Company Performance (Stock Price) moderated by GCG and vice versa. The p-value of the t statistic is 0.1000 ≤ 0.100, so Ho is rejected and Ha is accepted, so it can be concluded that GCG negatively moderates the impact of dividend policy on market performance.

The control variable financial leverage obtained a negative coefficient value of 898.0394 and a probability of 0.0306, which means that there is a negative influence between levarage and market performance, so that increasing leverage can reduce stock prices. The firm size control variable obtained a positive coefficient value of 1136.054 and a probability of 0.0000, which means that there is a positive influence between firm size and market performance, so that the greater the assets owned by the company will increase the stock price.

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Table 4. Hypothesis Testing Results

Variables	**Tobins'Q Model** $TQ_{it} = \alpha + \beta 1 DPR_{it} + \beta 2 ESG_{it} + \beta 3 LEV_{it} + \beta 4 SIZE_{it} + \beta 5 GCG_{it} + \beta 6 DPR_{it}$ x $\beta GCG_{it} + \beta 7 ESG_{it}$ x $\beta GCG_{it} + \varepsilon_{it}$			
	Coefficient	Std. Error	Prob	Description
C (Constanta)	6.994030	2.331072	3.0003	
DPR	4.77E-05	0.002315	0.9836	No Effect
ESG	-0.014548	0.014487	0.3181	No Effect
LEV	-0.002959	0.086162	0.9727	No Effect
SIZE	-0.286567	0.119577	0.0187	Significantly
DPR*GCG	-0.025554	-0.025554	0.7743	No Effect
ESG*GCG	-0.190322	-0.190322	0.0258	Significantly
	Stock Price Model $Harga\ Saham_{it} = \alpha + \beta 1 DPR_{it} + \beta 2 ESG_{it} + \beta 3 LEV_{it} + \beta 4 SIZE_{it} + \beta 5 GCG_{it} + \beta 6 DPR_{it}$ x $\beta GCG_{it} + \beta 7 ESG_{it}$ x $\beta GCG_{it} + \varepsilon_{it}$			
	Coefficient	Std. Error	Prob	Description
C (Constanta)	-30021.65	15712.67	0.0593	
DPR	2.961297	13.26541	0.8239	No Effect
ESG	-20.65467	68.15023	0.7626	No Effect
LEV	-898.0394	369.2124	0.0306	Significantly
SIZE	1136.054	516.8912	0.0000	Significantly
DPR*GCG	-866.3944	524.3746	0.1000*	Significantly
ESG*GCG	-355.5632	483.5359	0.4641	No Effect

The processed results for Tobin's Q obtained an estimated coefficient value of -0.190322 and probability 0.0258, which means that the increase in ESG will reduce company performance (Tobins'Q) moderated by GCG and vice versa. The p-value of the t statistic is 0.0258 <0.05, so Ho is rejected and Ha is accepted, so it can be concluded that DPR is proven to have a significant negative effect on company performance (Tobin's Q) moderated by GCG.

The processed results for the Share Price obtained an estimated coefficient value of -355.5632 and a probability of 0.4641, which means that an increase in ESG will reduce the Share Price moderated by GCG and vice versa. The p-value of the t statistic is 0.4641> 0.05, so Ho is accepted, so it can be concluded that ESG has no proven effect on company performance (Share Price) moderated by GCG.

From the results of hypothesis tests 3 and 4 in table 4, it can be seen that the dividend payout ratio has no effect on company performance as measured by Tobin's Q or Stock Price, the results of this research are supported by (Velnampy et al., 2014) explained that the dividend payout ratio has no effect on company performance because the dividend payout ratio is only one of the factors that can affect company performance. It is important to consider other factors such as the company's financial condition, growth opportunities, investor perceptions, business complexity.

From the test results of hypotheses 1 and 2 in table 4, it can be seen that environmental social governance has no effect on company performance as measured by Tobin's Q and Stock Price, the

results of this research are supported by (Horváthová, 2010), explaining that ESG has no effect on company performance because the benefits of ESG are seen in the long term, while company performance is often measured in the short term. Investors and shareholders may focus more on quarterly or annual financial results rather than the long-term impact of ESG policies. In addition, implementing ESG practices requires a large initial investment, both in money and time, which can reduce profit margins in the short term, although it may be beneficial in the long term.

The results of hypothesis 3 test show that the dividend payout ratio is proven to have a negative effect on company performance moderated by GCG as measured by Stock Price, this is in line with empirical studies conducted by (Ashary & Kasim, 2020). Therefore, it can be said that this research contradicts agency theory which states that GCG can function as a tool to convince investors that they will receive a return on the amount of funds they have invested. This happens because a large number of BODs and frequent BOD meetings can be a sign that there are many discussions and negotiations needed to reach an agreement. This can add to operational costs and divert management's focus from day-to-day operations and long-term strategy. The more BOD members and the more frequent the meetings, the greater the cost. In addition, BOD members may have conflicts of interest when making decisions on dividend policy. For example, they may have a personal interest in receiving high dividends, even if this does not benefit the company as a whole. This conflict of interest may lead to an unfair dividend policy for all shareholders.

Overall, this negative effect may be more pronounced in companies that face challenges in making quick and efficient decisions. Moderation by the number of directors and frequency of board meetings suggests that the internal structure and dynamics of the firm also play an important role in how the dividend payout ratio affects firm performance.

CONCLUSION

Based on the results of research that has been conducted to analyze the effect of dividend policy on company performance with moderating variables of good corporate governance, it is concluded that the dividend payout ratio has no effect on market performance. The results of this study are supported by (Velnampy et al., 2014).

Good Corporate Governance proved to moderate the moderation of Good Corporate Governance proved to have a negative effect between Dividend Payout Ratio on Company Performance as measured by Stock Price. This is in line with empirical studies conducted by (Ashary & Kasim, 2020). So it can be said that this research contradicts agency theory which states that GCG can function as a tool to convince investors that they will receive a return on the amount of funds they have invested.

The research implication is that good GCG implementation can increase investor confidence because it shows that the company is well managed and responsible, this can attract investors and increase the company's access to the capital market. Companies need to consider GCG when making dividend policies because unsustainable dividend policies can reduce investor confidence and worsen company performance. Therefore, management needs to implement GCG when developing ESG strategies because ineffective ESG strategies can reduce the value of the company and draw criticism from investors and other stakeholders.

Future research can use other independent variables or add other proxies of dividend policy such as dividend per share, dividend yield in order to further reveal other variables that can affect company performance (Udoka et al., 2022).

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