ESG SCORE AND STOCK PRICE VOLATILITY: THE MODERATING ROLE OF DIVIDEND POLICY IN THE INDONESIAN CAPITAL MARKET (2023–2024)

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Abstract

Environmental, Social, and Governance (ESG) initiatives are gaining prominence in global capital markets. Yet, prior studies show mixed results regarding how ESG performance relates to stock price volatility, especially in emerging markets such as Indonesia. Objective: This study analyzes the influence of ESG scores on stock price volatility and explores whether dividend policy moderates this relationship among firms listed on the Indonesia Stock Exchange during 2023–2024. The study applies panel data regression to Indonesian publicly listed companies over the 2023–2024 period. Stock price volatility, calculated using the Parkinson method, is used as the dependent variable. ESG scores from the Katadata ESG Index serve as the independent variable, while the dividend payout ratio functions as the moderating variable. Control variables include firm size, return on assets, and leverage. Research Results: The results indicate that ESG scores do not significantly influence stock price volatility. Meanwhile, dividend policy shows a significant positive effect, meaning that firms with higher dividend payouts experience greater, not lower, price fluctuations. The moderating role of dividend policy is also found to be insignificant. These outcomes imply that macroeconomic factors and retail investor behavior play a stronger role than ESG performance in shaping stock price volatility in Indonesia. Originality/Novelty: This research contributes evidence that the stabilizing effects of ESG initiatives and dividend policy are context dependent, influenced by market development, investor sophistication, and regulatory structures. The findings question the universal relevance of signaling theory and stakeholder theory in emerging market settings.

Keywords: ESG Score, Stock Price Volatility, Dividend Policy, Indonesia Stock Exchange, Emerging Markets

INTRODUCTION

The capital market functions as an essential platform for channeling funds from investors to companies seeking capital for business development. Indonesia has seen strong growth in stock market participation, with 5.7 million Single Investor Identifications (SIDs) recorded as of June 2024 (Indonesia Stock Exchange, 2024). This trend indicates rising financial literacy; however, investors must assess not only potential returns but also the risks associated with investment, particularly stock price volatility. High volatility reflects greater uncertainty and investment risk, highlighting the importance of understanding its key drivers in developing effective investment strategies. During 2023–2024, the Jakarta Composite Index (JCI) experienced notable fluctuations influenced by both domestic and global dynamics, including monetary policy shifts, geopolitical risks, and changing market sentiment.

At the same time, global attention toward corporate sustainability has increased significantly. Environmental, Social, and Governance (ESG) performance has become a key consideration in investment evaluation, signaling a firm's commitment to environmental responsibility, social well-being, and strong governance. Prior studies report inconsistent evidence regarding the link between ESG performance and stock price volatility. Some research suggests that higher ESG scores reduce volatility and investment risk (Albuquerque et al., 2020; Zhou & Zhou, 2021; Ardianto & Sukardi, 2024; Siswana & Ratmono, 2024). In contrast, other studies, such as Hutama and Budhidharma (2022) and Zanatto et al. (2023), find no significant relationship. Dividend policy has also been shown to influence stock price volatility because it conveys signals about a firm's financial strength and outlook (Lotto, 2021; Angelina et al., 2023). However, only limited research has examined whether dividend policy moderates the relationship between ESG and stock volatility, particularly in Indonesia's capital market.

This study is motivated by several key research gaps. First, there is still no clear empirical agreement on how ESG performance affects stock price stability, as reflected in inconsistent findings. Second, only a few studies have jointly examined ESG performance, stock price volatility, and dividend policy within one analytical model. Third, Indonesia's emerging market structure differs substantially from developed markets, where most prior evidence originates. Finally, the post-pandemic economic environment has created a new volatility landscape that remains underexplored. Therefore, this research investigates the effect of ESG scores on stock price volatility, with dividend policy as a moderating variable, among companies listed on the Indonesia Stock Exchange during 2023–2024.

This study offers several contributions. From an academic perspective, it expands the literature on ESG and stock volatility in Indonesia, provides evidence that helps clarify previous inconsistencies, and proposes an integrated theoretical framework based on signaling theory and stakeholder theory. From a practical standpoint, the findings may help investors incorporate ESG and dividend policy into investment considerations, support corporate managers in formulating sustainable ESG and dividend strategies, and assist regulators in designing policies that promote effective ESG implementation. The novelty of this study lies in: (1) integrating ESG scores and dividend policy into a single analytical model, (2) focusing on the most recent post-COVID-19 period (2023–2024), (3) examining dividend policy as a moderating factor, and (4) utilizing cross-sector data from the Indonesia Stock Exchange to enhance generalizability.

REVIEW OF LITERATURE

Stock price volatility is a key indicator that reflects the level of uncertainty in returns and the degree of investment risk. Two important factors that may influence volatility are corporate sustainability practices measured through ESG scores and dividend policy, which can signal a firm's financial strength. Prior studies indicate that governance quality, sustainability disclosure, and dividend policy are associated with stock price volatility, although the results remain inconsistent (Albuquerque et al., 2020; Zhou & Zhou, 2021; Angelina et al., 2023).

This study is grounded in three theoretical perspectives to explain the links among ESG, dividend policy, and stock price volatility. First, signaling theory (Ross, 1977) suggests that ESG disclosure and dividend payments act as quality signals to investors, reducing information asymmetry and uncertainty. Firms with strong ESG performance convey sustainable management and effective risk control, while stable dividend payments indicate sound financial conditions and positive future prospects (Ardianto & Sukardi, 2024; Lotto, 2021). Second, stakeholder theory (Freeman, 1984) posits that responsible ESG practices demonstrate corporate concern for stakeholder interests, improving reputation, legitimacy, and long-term performance stability, which in turn may lower volatility (Broadstock et al., 2021). Third, agency theory (Jensen & Meckling, 1976) explains that dividend policy helps mitigate agency problems by curbing excess cash and signaling management's commitment to distributing value to shareholders (Zahid et al., 2023).

Empirical findings across countries show mixed outcomes. Several studies report that higher ESG performance is associated with lower stock price volatility, implying that good ESG practices reduce risk. For example, Albuquerque et al. (2020) and Zhou and Zhou (2021) find that firms with high ESG performance experienced lower volatility during the COVID-19 pandemic. Indonesian studies by Siswana and Ratmono (2024), Ardianto and Sukardi (2024), and Yulianti and Darmawati (2024) similarly conclude that ESG scores significantly reduce volatility. Conversely, other research reports no significant effect. Zanatto et al. (2023) find that ESG news does not meaningfully affect market volatility in Portugal during recessionary periods, while Hutama and Budhidharma (2022) observe no significant impact of environmental sustainability on return volatility during COVID-19.

The literature generally suggests a negative association between dividend policy and stock price volatility. Lotto (2021) reports that the dividend payout ratio reduces volatility, while studies in Indonesia by Angelina et al. (2023) and Trihadiyanti et al. (2023) confirm a similar effect. However, few studies have examined whether dividend policy moderates the ESG volatility relationship, particularly in Indonesia. Based on signaling theory and prior empirical findings, the first hypothesis is proposed:

H1: ESG scores have a negative effect on stock price volatility.

Dividend policy may strengthen or weaken the influence of ESG on stock volatility through several channels. First, when firms with strong ESG performance also maintain consistent dividend payments, this combined signaling effect may enhance investor confidence and further reduce uncertainty. Second, dividends act as a control mechanism by limiting excess cash and reinforcing management's commitment to both sustainability and value creation (Jensen & Meckling, 1976). Third, dividend policy may complement ESG initiatives in supporting market stability (Zahid et al., 2023; Rahmawati et al., 2023). Nevertheless, investors may also perceive that higher dividends constrain long-term ESG

investment, potentially weakening the relationship. Given these varied arguments, the second hypothesis is formulated as:

H2: Dividend policy moderates the effect of ESG scores on stock price volatility.

RESEARCH METHOD

Research Design

This study adopts a quantitative method using an explanatory research design to analyze causal relationships among variables through hypothesis testing. The study uses panel data covering the period 2023–2024.

Research Subject, Population, and Sample

The study population includes all companies listed on the Indonesia Stock Exchange (IDX) during 2023–2024. Samples were selected using purposive sampling, meaning companies were chosen based on predetermined criteria relevant to the research purpose. The criteria are as follows: (1) companies must remain continuously listed on the IDX throughout the study period to maintain data consistency; (2) companies must have ESG score data available in the Katadata ESG Index for 2023–2024; (3) companies must distribute dividends at least once during the study period, as dividend policy is used as the moderating variable; (4) companies must have complete financial statements and stock price data required for analysis; and (5) companies must not engage in corporate actions such as stock splits, reverse splits, or rights issues that could distort stock price behavior and bias the analysis. These requirements are intended to ensure valid and reliable research data.

Operational Definition and Variable Measurement

Dependent Variable: Stock Price Volatility

Stock price volatility is measured using the Parkinson method (Angelina et al., 2023), which calculates volatility based on the difference between the highest and lowest prices within a trading day (intraday range). This method is considered more accurate than traditional volatility measures, particularly in emerging markets such as Indonesia, where trading characteristics vary significantly across firms.

$$\text{Volatilitas} = \sqrt{\frac{\sum_{i=1}^{n}\left[\ln\left(\frac{H_i}{L_i}\right)\right]^2}{4n\ln(2)}}$$

H = Highest stock price in period
L = Lowest stock price in period
n = Number of observations in a year

Independent Variable: ESG Score

The ESG score used in this study is sourced from the Katadata ESG Index, which evaluates companies' sustainability performance based on environmental, social, and governance dimensions. This index is developed using a content analysis approach that reviews companies' sustainability reports prepared in accordance with SEOJK No. 16/2021 and POJK No. 51/2017. The ESG score is then derived using the following calculation formula:

$$\textbf{ESG } \textit{Score} = (wE \times E) + (wS \times S) + (wG \times G)$$

E,S,G = Environmental, social, and governance aspect scores

wE, wS, wG = Weight of each aspect, which varies by sector: For most sectors: 50% environment, 30% social, 20% governance. For financial sector: 20% environment, 30% green economy, 30% social, 20% governance. The final score ranges from 0 to 100.

Moderating Variable: Dividend Policy

Dividend policy is proxied using the dividend payout ratio (DPR), which measures the proportion of net income distributed as dividends:

$$\frac{\text{Total Dividends Paid}}{\text{Net Income}}$$

Control Variables

To ensure more accurate research results isolated from the influence of other factors that may affect stock price volatility, this study includes three important control variables. First, firm size (SIZE) is measured using the natural logarithm of total company assets, with the formula SIZE = Ln(Total Assets). The use of natural logarithm aims to normalize data distribution considering the very large size differences between companies. Second, leverage (LEV), which reflects the level of company debt usage in its capital structure, is measured using the debt-to-equity ratio with the formula LEV = Total Liabilities/Total Equity. This ratio indicates the extent to which a company relies on debt financing compared to equity capital. Third, profitability (ROA), which measures the company's ability to generate profit from its assets, is calculated using return on assets with the formula ROA = Net Income / Total Assets. These three control variables were selected because they have been theoretically and empirically proven to influence stock price fluctuations, thus need to be controlled so that the pure effect of ESG variables and dividend policy can be identified more clearly.

Data Collection Techniques and Instruments

This research employs secondary data collection techniques, utilizing data that have been published and made available by various official institutions and agencies, thus eliminating the need for direct data collection from respondents. The research instruments utilized for data collection include: (1) Katadata ESG Index for the period 2023-2024, which serves as a comprehensive and reliable ESG performance rating index for companies listed in Indonesia; (2) Indonesia Stock Exchange official website (www.idx.co.id), which provides public access to annual financial reports of all listed companies; (3) Investing.com platform, a reliable capital market data provider widely used in academic research, utilized for obtaining daily stock price data required in calculating volatility; and (4) Published annual financial reports, which serve as the primary source for corporate dividend payment data, supplemented by data from the investing.com website. The use of secondary data from multiple official and reliable sources ensures the validity, reliability, and objectivity of the data to be analyzed in this research.

Data Analysis Techniques

The data analysis technique employed in this research is panel data regression analysis, which combines cross-section data (across companies) and time-series data (across time periods), thereby providing more informative and comprehensive analytical results. The

analysis is conducted using SPSS 25 software through several systematic stages. First, descriptive statistical analysis is performed to provide a general overview of the research data characteristics, including mean values, minimum and maximum values, and standard deviation of each variable. Second, the Fixed Effect Model (FEM) is employed for panel data regression analysis. The FEM is selected as the most appropriate model for this research because it effectively controls for unobserved time-invariant heterogeneity across firms and captures firm-specific characteristics that may influence stock price volatility. This model is particularly suitable given the short time period (2023-2024) and the cross-sectional nature of the data, where individual firm effects need to be accounted for to obtain unbiased estimates.

Third, classical assumption tests are performed to ensure the regression model meets the Best Linear Unbiased Estimator (BLUE) requirements. These tests include: (a) normality test using the Kolmogorov-Smirnov method to examine whether residuals follow a normal distribution; (b) multicollinearity test by examining Variance Inflation Factor (VIF) values to detect correlation among independent variables; (c) heteroscedasticity test using the Glejser method to assess variance homogeneity of residuals; and (d) autocorrelation test using the Durbin-Watson method to detect correlation between residual errors across observations. Fourth, hypothesis testing is conducted through panel data regression analysis with the Fixed Effect Model. Two regression models are estimated: Model 1 examines the direct effect of ESG scores on stock price volatility while controlling for firm size, ROA, and leverage; Model 2 incorporates the interaction term between ESG scores and dividend policy to test the moderating effect of dividend policy on the relationship between ESG and stock price volatility. The significance of regression coefficients is evaluated at the 5% significance level ($\alpha = 0.05$).

Model 1 (Direct Effect):

$$VOLit=\alpha+\beta1ESGit+\beta2SIZEit+\beta3LEVit+\beta4ROAit+\varepsilon it$$

Model 2 (Moderation Effect):

$$VOLit=\alpha+\beta1ESGit+\beta2DPRit+\beta3(ESGit\times DPRit)+\beta4SIZEit+\beta5LEVit+\beta6ROAit+\varepsilon it$$

VOL = Stock Price Volatility
ESG = ESG Scores
DPR = Dividend payout ratio
SIZE = Firm size (or Company size)
LEV = Leverage
ROA = Profitability
α = Constant
β = Regression coefficient
ε = Error term
i = Firm (or Company)
t = Year

RESULTS AND DISCUSSION

Descriptive Statistics

This study analyzed 84 companies listed on the Indonesia Stock Exchange during 2023–2024, resulting in 168 firm year observations across various industrial sectors. Table 1 presents the descriptive statistics for all variables. The average stock price volatility was 0.04 with a standard deviation of 0.04, indicating relatively stable price fluctuations among the sampled firms. ESG scores had a mean of 52.02 (SD = 13.78), ranging from 3.57 to 78.62, reflecting considerable variation in the adoption of sustainability practices. The dividend payout ratio averaged 0.82 (82%) with a standard deviation of 1.85, and a maximum of 18.78, suggesting that some firms distributed dividends exceeding their net income for the year. Among the control variables, firm size (Ln Total Assets) averaged 30.01, profitability (ROA) averaged 0.09 (9%), and leverage (DER) averaged 1.76.

Table 1.
Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ESG Score	168	3.57	78.62	52.02	13.78
Dividend Policy	168	0.06	18.78	0.82	1.85
Stock Price Volatility	168	0.00	0.19	0.04	0.04
Firm Size (Ln Total Assets)	168	25.01	35.43	30.01	2.27
Return on Assets	168	-0.02	0.52	0.09	0.09
Debt-to-Equity Ratio	168	0.04	13.42	1.76	2.57

Source: Processed data (2025)

Classical Assumption Tests

The classical assumption tests confirmed the validity of the regression model. The normality test, based on the Central Limit Theorem (n = 168), indicated a normal distribution. The multicollinearity test showed that all main variables had VIF values below 10, suggesting no multicollinearity issues. The heteroscedasticity test results generally met the required assumptions, and the autocorrelation test yielded a Durbin-Watson value of 2.424, which falls within the acceptable range. Model fit statistics indicate an Adjusted R^2 of 0.246, meaning the model explains approximately 24.6% of the variation in stock price volatility. Additionally, the F-test (F = 8.595, p = 0.000) confirms that the model is statistically significant and suitable for predicting stock price volatility.

Hypothesis Testing Results

Table 2 presents the regression analysis results using the Fixed Effect Model, including the estimated coefficients, t-statistics, and significance levels for each variable.

Table 2.
Regression Analysis Results with Moderation

Variable	Coefficient (β)	t-Statistic	Sig. (p-value)	Remarks
Constant	0.250	5.003	0.000	Significant
ESG Score	0.00006	0.242	0.809	Not Significant
Dividend Policy	0.016	2.487	0.014	Significant

Variable	Coefficient (β)	t-Statistic	Sig. (p-value)	Remarks
ESG Score × Dividend Policy	0.000	-1.734	0.085	Not Significant
Firm Size (Ln Total Assets)	-0.007	-3.893	0.000	Significant
Return on Assets	-0.025	-0.807	0.421	Not Significant
Debt to Equity Ratio	0.002	1.084	0.280	Not Significant

Source: Processed data (2025)

The Effect of ESG Scores on Stock Price Volatility (H1 Rejected)

The first hypothesis, which posited that ESG scores negatively influence stock price volatility, is rejected (β = 0.00006, p = 0.809). This finding contrasts with studies by Albuquerque et al. (2020), Zhou and Zhou (2021), Siswana and Ratmono (2024), and Ardianto and Sukardi (2024), which reported a significant negative effect. However, it aligns with the results of Zanatto et al. (2023) and Hutama and Budhidharma (2022), who found no significant ESG–volatility relationship. Several contextual factors may explain this outcome: (1) Indonesia's ESG infrastructure is still evolving, with limited third-party assurance and standardized disclosure compared to developed markets; (2) the market is dominated by retail investors who focus on short-term technical indicators rather than long-term ESG fundamentals; (3) macroeconomic volatility during 2023–2024 may have overshadowed ESG signals; and (4) methodological differences in the Katadata ESG Index compared to commercial ratings like Refinitiv may affect results. These findings suggest that the predictive power of signaling and stakeholder theories is highly context-dependent, influenced by market maturity and investor sophistication.

The Moderating Role of Dividend Policy (H2 Rejected)

The second hypothesis, which proposed that dividend policy moderates the ESG–volatility relationship, is also rejected (interaction coefficient = 0.000, p = 0.085). This represents a novel insight, as prior research has seldom investigated this specific moderating mechanism. Interestingly, dividend policy exhibits a significant positive direct effect on volatility (β = 0.016, p = 0.014), contradicting Angelina et al. (2023) and Lotto (2021), who reported negative effects. This counterintuitive result suggests that in Indonesia during 2023–2024, high dividend payouts may signal limited growth opportunities or unsustainable management practices, thereby increasing investor uncertainty. The lack of a moderating effect indicates that investors tend to evaluate ESG performance and dividends independently, rather than as combined signals, which contrasts with dual signaling theory predictions.

The Effect of Control Variables

Firm Size (Significant Negative Effect)

Firm size shows a significant negative effect on stock price volatility (β = -0.007, p = 0.000), consistent with previous studies. This aligns with findings by Angelina et al. (2023) in Indonesian financial sector firms and Lotto (2021) in Tanzanian industrial firms (β = -1.324, p < 0.05). Larger firms tend to exhibit greater business diversification, higher analyst coverage, stronger institutional ownership, improved governance, and more liquid stocks, all of which reduce information asymmetry and price fluctuations. These results confirm that firm size remains a robust predictor of stock price stability across markets and periods,

making it a key consideration for investors and portfolio managers seeking to reduce volatility.

Return on Assets (ROA) (Not Significant)

Contrary to theoretical expectations, ROA does not significantly affect stock price volatility (β = -0.025, p = 0.421). This differs from some prior studies and can be explained by three contextual factors. First, during the macroeconomic instability of 2023–2024, characterized by inflationary pressures and interest rate fluctuations, investors prioritized macroeconomic indicators and monetary policy signals over individual firm profitability. Second, Indonesia's market increasingly values earnings quality and sustainability over absolute profitability, as reflected in the rising adoption of ESG practices despite their non-significant impact on volatility. Third, retail investors, who dominate the Indonesian market, tend to focus on forward-looking indicators and price momentum rather than historical performance metrics such as ROA. This finding suggests that the explanatory role of profitability in emerging markets is diminishing amid a shift toward sustainability-oriented investment paradigms.

Debt to Equity Ratio (DER) (Not Significant)

Leverage is also not significant (β = 0.002, p = 0.280), contrasting with Lotto (2021), who reported a significantly positive relationship between leverage and volatility (β = 1.127, p < 0.01) in Tanzania. Two main factors may explain this discrepancy. First, amid interest rate fluctuations in 2023–2024, investors faced ambiguity regarding whether leverage signals efficient debt utilization for growth or indicates financial distress risk, neutralizing its effect on volatility. Second, improvements in Indonesia's corporate governance and creditor protection mechanisms may have reduced the perceived risk of leverage compared to frontier markets like Tanzania. This suggests that in Indonesia's maturing market, leverage alone does not determine volatility; rather, the quality of debt management and governance practices mediates its effect. These findings highlight the need to interpret financial ratios like DER in conjunction with governance quality indicators.

Descriptive Statistics Test
Result:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Skor_ESG	168	3.5700	78.6200	52.016845	13.7844285
Kebijakan_Dividen	168	.0600	18.7800	.817917	1.8549651
Volatilitas_Harga_Saham	168	.00	.19	.0389	.03926
Ukuran_Perusahaan	168	25.01	35.43	30.0104	2.26536
Return_on_Assets	168	-.02	.52	.0893	.09281
Debt_to_Equity	168	.04	13.42	1.7580	2.57191
Valid N (listwise)	168				

Classical Assumption Test
Normality Test
Kolmogorov - Smirnov Test
Result:

One-Sample Kolmogorov-Smirnov Test

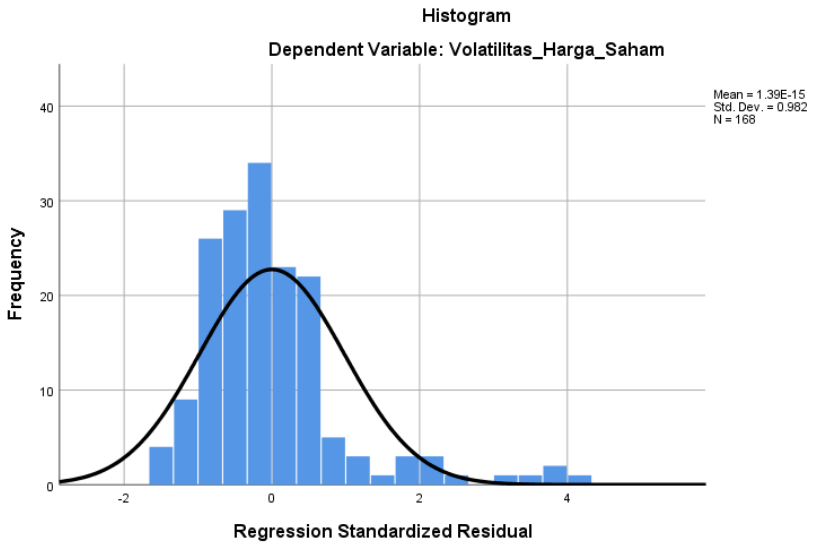
		Unstandardized Residual
N		168
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.03408860
Most Extreme Differences	Absolute	.132
	Positive	.132
	Negative	-.091
Test Statistic		.132
Asymp. Sig. (2-tailed)		.000[c]

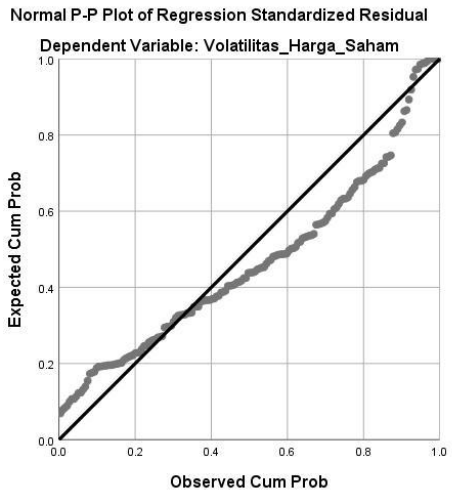
a. Test distribution is Normal.

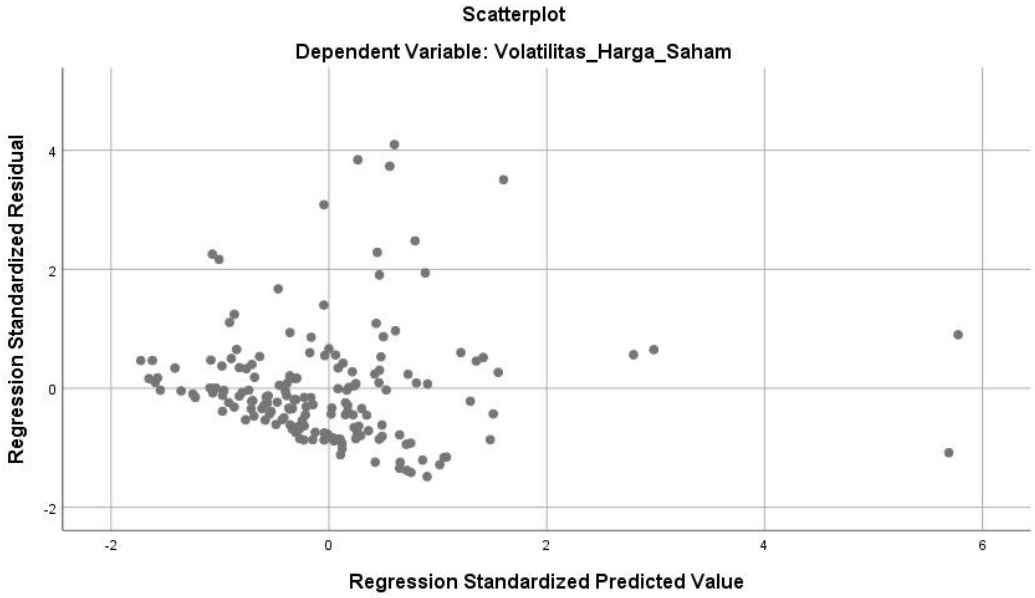
b. Calculated from data.

c. Lilliefors Significance Correction.

Histogram, P-P Plot, Scatterplot, as reference:
Result:




Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Volatilitas_Harga_Saham
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0


Scatterplot
Dependent Variable: Volatilitas_Harga_Saham
Regression Standardized Residual
Regression Standardized Predicted Value
-2
0
2
4
6

Multicollinearity Test
Variance Inflation Factor Method
Result:

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.250	.050		5.003	.000		
	Skor_ESG	6.142E-5	.000	.022	.242	.809	.588	1.700
	Kebijakan_Dividen	.016	.006	.756	2.487	.014	.051	19.732
	Skor_ESG_Kebijakan_Dividen	.000	.000	-.528	-1.734	.085	.050	19.808
	Ukuran_Perusahaan	-.007	.002	-.421	-3.893	.000	.401	2.495
	Return_on_Assets	-.025	.032	-.060	-.807	.421	.842	1.188
	Debt_to_Equity	.002	.002	.113	1.084	.280	.428	2.338

a. Dependent Variable: Volatilitas_Harga_Saham

Heteroscedasticity Test
Glejser Test
Result:

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.131	.034		3.823	.000		
	Skor_ESG	.000	.000	-.098	-1.011	.313	.588	1.700
	Kebijakan_Dividen	-.001	.004	-.050	-.151	.880	.051	19.732
	Ukuran_Perusahaan	-.003	.001	-.298	-2.533	.012	.401	2.495
	Return_on_Assets	-.019	.022	-.073	-.901	.369	.842	1.188
	Debt_to_Equity	.000	.001	.034	.294	.769	.428	2.338
	Skor_ESG_Kebijakan_Dividen	1.782E-5	.000	.064	.192	.848	.050	19.808

a. Dependent Variable: AbsRes

Autocorrelation Test
Durbin-Watson Test Method

Results:

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.496[a]	.246	.218	.03472	.246	8.760	6	161	.000	2.424

a. Predictors: (Constant), Skor_ESG_Kebijakan_Dividen, Debt_to_Equity, Skor_ESG, Return_on_Assets, Ukuran_Perusahaan, Kebijakan_Dividen

b. Dependent Variable: Volatilitas_Harga_Saham

Durbin-Watson Table Reference for the test results:

dL 1.6743
dU 1.8221
DW 2.424

| 168 | 1.6743 | 1.8221 |

Hypothesis Test
Result:
Multiple Regression and Moderation Analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.496[a]	.246	.218	.03472	.246	8.760	6	161	.000

a. Predictors: (Constant), Skor_ESG_Kebijakan_Dividen, Debt_to_Equity, Skor_ESG, Return_on_Assets, Ukuran_Perusahaan, Kebijakan_Dividen

b. Dependent Variable: Volatilitas_Harga_Saham

ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.063	6	.011	8.760	.000[b]
	Residual	.194	161	.001		
	Total	.257	167			

a. Dependent Variable: Volatilitas_Harga_Saham

b. Predictors: (Constant), Skor_ESG_Kebijakan_Dividen, Debt_to_Equity, Skor_ESG, Return_on_Assets, Ukuran_Perusahaan, Kebijakan_Dividen

Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.250	.050		5.003	.000
	Skor_ESG	6.142E-5	.000	.022	.242	.809
	Kebijakan_Dividen	.016	.006	.756	2.487	.014
	Ukuran_Perusahaan	-.007	.002	-.421	-3.893	.000
	Return_on_Assets	-.025	.032	-.060	-.807	.421
	Debt_to_Equity	.002	.002	.113	1.084	.280
	Skor_ESG_Kebijakan_Dividen	.000	.000	-.528	-1.734	.085

a. Dependent Variable: Volatilitas_Harga_Saham

CONCLUSION

The moderating effect of dividend policy on the relationship between ESG and stock price volatility was not found to be significant, suggesting that investors tend to assess ESG performance and dividends independently rather than as a combined signaling mechanism. Among the control variables, only firm size exhibited a significant negative effect on volatility, while profitability (ROA) and leverage (DER) did not show significant impacts. Interestingly, dividend policy demonstrated a significant positive effect on stock price

volatility, indicating that higher dividend payouts may actually increase price fluctuations. This outcome may reflect investor perceptions that high dividends signal limited growth opportunities or potential constraints on the company's future investment capacity. From a theoretical perspective, this study contributes to the literature on the ESG volatility relationship in emerging markets, highlighting that signaling mechanisms in the Indonesian context are not yet fully effective due to the still-developing ESG infrastructure and the predominance of retail investors who focus on simple, short-term indicators. Practically, the findings suggest that companies should not only improve ESG performance but also actively communicate their sustainability practices to investors. Investors, in turn, may consider firm size as a more reliable indicator of short term stock stability than ESG scores. Additionally, regulators can leverage these insights to strengthen ESG reporting infrastructure and enhance investor understanding of the long term value of sustainability practices. This study has several limitations.

First, the observation period is relatively short (two years), which may limit the generalizability of the findings. Second, ESG data were obtained from a single source (Katadata ESG Index), and third, the sample focused only on companies that consistently paid dividends, which could introduce selection bias. Moreover, the research model explains only 24.6% of the variation in stock price volatility, indicating that other factors such as macroeconomic conditions, market sentiment, and shareholder structure may also play important roles. Future research is recommended to extend the observation period to at least five years to better capture market dynamics, use alternative ESG data sources for triangulation, incorporate additional moderating variables such as corporate governance or institutional ownership, and conduct sector-specific analyses to identify factors that influence the effectiveness of ESG disclosure in mitigating stock price volatility.

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