ABSTRACT

This study aims to determine the effect of business diversification strategies on the financial performance of companies in the energy sub-sector in Indonesia, with leverage (Debt to Equity Ratio/DER) as a moderating variable. The diversification strategies analyzed include industrial diversification and international diversification, while financial performance is measured using Return on Assets (ROA) and Return on Equity (ROE). Control variables in this study consist of Firm Age, Firm Size, and Growth Opportunity. This quantitative research uses secondary data obtained from the annual financial statements of oil, gas, and coal subsector companies listed on the Indonesia Stock Exchange, which were then analyzed using panel data regression and moderation regression. The regression results show that neither industrial diversification nor international diversification has a significant effect on ROA and ROE. DER also has no significant effect on both financial performance indicators and does not serve as a significant moderating variable. However, Firm Age has a positive and significant effect on both ROA and ROE, while Firm Size is only significant for ROA. Growth Opportunity has no significant effect in either model. These findings indicate that diversification strategies and leverage have not been able to enhance the financial performance of energy companies, whereas operational experience and business scale remain important factors in creating firm value.

Keywords: Financial Performance; Leverage; Diversification Strategy; Oil, Gas, and Coal Subsectors.