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Does Dividend Policy Moderate the Influence of Financial Performance on Firm Value ?

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Abstract. *This study tries to demonstrate the elements impacting firm value for manufacturing companies listed on the Indonesia Stock Exchange. Leverage, profitability, and firm size are the variables that were examined in this study. Manufacturing firms registered on the Indonesia Stock Exchange (IDX) for the years 2017–2021 make up the study's population. Purposive sampling was used to gather the data, and 246 samples were gathered as a result. Multivariate regression analysis (MRA) or interaction tests are used in the study methodology. According to the findings of the hypothesis test, leverage, profitability, and company size all have a positive impact on firm value. The dividend policy can then be used to control the connection between leverage and profitability for firm value.*

Keywords*: Dividend Policy, Leverage, Firm Value, Profitability, Company Size*

Introduction

In a competitive and dynamic business environment, the enterprise's main goal is to achieve sustainable growth and increase corporate value or value for shareholders. A financial term called "firm value" represents a company's business value (Loh et al., 2017). Firm value is a metric used to assess a company's long-term economic value. The market's evaluation of the enterprise's potential and forthcoming yield is represented in the business's valuation. One of the crucial factors affecting company value is strong financial performance. Good financial performance demonstrates the capacity of a business to generate consistent profits, manage risk effectively, and use resources efficiently. Strong financial performance can influence the market's perception of the firm favorably and ultimately raise its value. Academics, practitioners, and investors are now primarily focused on financial performance's effect on business value.

In the face of fierce rivalry among Indonesian manufacturers, every business needs to keep raising the bar on performance in order to satisfy investors. But the statistics paints a different image, showing that during the past five years, the industrial sector's growth has slowed. In contrast to other nations in Southeast Asia, Indonesian manufacturing saw the biggest downturn. The Purchasing Manager Index (PMI) for manufacturing in Indonesia decreased from 53.5 points in Q2 2016 to 49.5 points in Q2 2020 (Bank Indonesia, 2021). It is necessary to investigate this issue in light of the variables that contribute to Indonesian manufacturing enterprises' declining performance. In manufacturing firms, a number of factors, including

profitability, capital structure, debt policy, and business size, influence the value of the company(Dang et al., 2020; Irawan et al., 2022; Kusumawati & Rosady, 2018; Raindraputri & Wahyuati, 2019) and dividend policy (Nandita & Kusumawati, 2018).

Leverage is the utilization of indebtedness in the capital structure of the business (Al-Slehat, 2019). The maximum use of indebtedness can provide benefits for the company. Modigliani & Miller (1963) explained that after accounting for tax implications, increasing the company's capital structure's debt level will raise its value. Gain in business value as a result of tax benefits for interest payments and stable return costs (Cheng & Tzeng, 2011). Earlier research on how leverage affects business value has produced a range of findings. Research findings (Aldi et al., 2020; Jihadi et al., 2021; Raindraputri & Wahyuati, 2019; Siagian & Surbakti, 2021) show *Leverage* has the power to affect a company's worth in a positive direction. Meanwhile, research findings from (Indrawaty & Mildawati, 2018; Krismandari & Amanah, 2021; Mery et al., 2017; Munawaroh, 2017) show that this affects the firm's value in a negative direction.

How profitable a firm is can have an impact on how valuable it is. Profitability is the ability of an organization to produce benefits at the level of revenue, resources, and equity capital. (Ambarwati, 2021; Muharramah & Hakim, 2021; Prasetya, 2020). The level of profitability can demonstrate how well the management of the company operates and how high profitability has better prospects. This is interpreted as a favorable sign by investors, who invest money in the business. Consequently, the price per share of the corporation will increase as more and more investors show interest in purchasing shares, which will also raise the firm's value. Akhmadi & Januarsi, (2021); Aldi et al., (2020); Machmuddah et al., (2020); Sulistiyo & Yuliana, (2019) show that firm value is positively and significantly affected by profitability. However, Krismandari & Amanah, (2021); Pratiwi, Yudiaatmaja, (2008) show that the effect of profitability on firm value is negative.

Companies that are superior in size have the opportunity to generate larger profit margins, so firm size can change company value (Siagian & Surbakti, 2021). The size of a large firm means that it can produce goods with more capacity and at a lower cost (Salehi et al., 2020). Investors will see this as a profitable development and act by buying shares in the corporation. Investors' high demand for issued shares will boost the company's worth as well as the market value of the shares. Several studies related to company size and company value (Dewi & Ekadjaja, 2020; Irawan et al., 2022; Linawati et al., 2022) demonstrate that the size of the business has a positive and significant impact on its worth. However, in contrast to research findings (Hirdinis, 2019; Monica & Denziana, 2016; Santosa, 2020), company size has a detrimental impact on firm value.

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Given the conflicting results of prior studies, this study intends to re-examine the correlation between financial outcomes, in this case profitability, leverage, company size, and firm value, by considering paying out dividends as a moderating component. The dividend policy of the company is one element that is combined with debt policy choices pertaining to internal spending in order to assess its effect on company value or stock market value (Nainggolan, 2014). In addition, dividend policy will always be related to the use of profits derived from operational results. Profit essentially has two uses: either it can be given as dividends to the business's shareholders or it can be kept and reinvested (Nurhayati & Kartika, 2020). The size of the corporation determines the value of the dividends paid. Pattiruhu & Paais, (2020); Sudiartana et al., (2020) suggest that large and well-established businesses can access the capital market more efficiently to obtain funds that can be used in operating activities so as to generate profits and be able to pay cash dividends. As the value of dividends paid to shareholders increases, It will raise investor interest in the business because it demonstrates that it is expanding and has promising future potential (Santoso, 2016). This will affect the stock market (firm value).

Research Methods

Leverage and Firm Value

Leverage is a ratio that calculates how much debt is being utilized to finance an organization's assets. The use of debt offers two significant benefits. First, it can deduct interest from income taxes. Second, if the company performs well, shareholders do not need to share the income because creditors will receive a predetermined amount of return. The ability of a company to fulfill both short-term and long-term obligations can also be evaluated using leverage. When the leverage ratio is high, there is more debt relative to the company's assets. Debt can be used to finance corporate growth and raise revenue, which will boost the company's reputation with investors and raise its stock price. It is thought that when businesses employ debt to finance investments, the value of the company rises and its owners gain. That is consistent with Siagian & Surbakti, (2021), who explained that *leverage* can raise the value of a company's debt-financed investments, and Lestari & Hernita, (2020), who stated that *leverage* can raise a company's worth. Firms that are indebted will have the opportunity to make a bigger profit.

Hypothesis 1: Leverage has a positive effect on firm value.

Company Profitability and Firm Value

Significant profitability shows the business's ability to produce substantial returns for shareholders. Due to the level of profitability achieved and the company's ability to pay

dividends on a regular basis in relation to the amount of profit realized, investors will definitely have faith in the company's ability to give a high rate of return. Investors see the firm favorably as a result of this positive signal because they think that by purchasing company shares, they are making an investment in the company. As a result, demand for shares rises, which directly impacts the company's value. This is in line with the outcomes of investigations by Alifiani et al. (2020); Lestari & Hernita (2020); Siagian & Surbakti (2021); Putri (2018); Ambarwati (2021), This demonstrates how profitability has a positive and significant impact on a company's worth.

Hypothesis 2: Profitability has a positive on firm value

Firm Size and Value

Total equity, total revenue from sales, or total assets are indicators that show business size, and investors are more likely to concentrate on companies that have large business scales. Therefore, investors' interest in making investments in the business will be higher (Monica & Denziana, 2016). This is because big businesses typically have more stable business environments than various economic conditions. This is in accordance with the results of Akbar (2020); Monica & Denziana (2016); Chasanah (2019); Muharramah & Hakim (2021). This shows how having a large or valuable firm has positive and substantial effects.

Hypothesis 3: Firm size has a positive effect on firm value.

***Leverage* and firm value with Moderating Variable Dividend Policy**

The ratio of leverage measures how much of the assets of an entity are financed by indebtedness. If a large corporation leverages itself, it is possible that the firm has a greater chance to increase its profits (Aldi et al., 2020). In giving dividends, a company must increase sales by increasing sales *leverage*, which is used for re-investment or business expansion, in order to have stable cash flow and The capacity to pay dividends to stakeholders in the hopes of boosting investor confidence and attracting capital that will increase the company's value. This is consistent with the findings of Adiwibowo (2018); Ihsan & Sari (2017); Munawaroh (2017), which show that the dividend policy can moderately positively *leverage* firm value.

Hypothesis 4: Dividend policy can moderately positively *leverage* firm value.

Profitability and Firm Value with Moderating Variable Dividend Policy

The amount of dividends to be paid depends on how well the company manages its net income; therefore, profitability and dividends will be interrelated. Very high profits have the

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potential to pay higher dividends, which will no doubt attract the attention of investors, thereby creating demand for shares and ultimately increasing the worth of the business (Ihsan & Sari, 2017). This is consistent with findings from studies by Aldi et al. (2020); Julita et al. (2015); Munawaroh (2017); Setyawati (2019), who claimed that dividend policy can be used to influence the relationship between profits and business worth.

Hypothesis 5 : Dividend policy is able to moderate the positive profitability of the firm's value.

Firm Size and Firm Value with Moderating Variable Dividend Policy

The size of the company may be used to determine its financial health. (Monica & Denziana, 2016). The larger the business's size compared to its competitors, the more stable the company's finances. This is because large companies have large assets, capital, market share, and sales levels. With the financial stability of a company, the dividends that will be distributed will also be stable, so that investors feel safe and have belief in the business, which will raise its worth (Adiwibowo, 2018). This is consistent with the findings of Adiwibowo's research (2018); Aldi et al. (2020), which assert that a firm's size to firm worth may be impacted by its dividend policy.

Hypothesis 6: Dividend policy is able to moderate the positive impact of firm size on firm value.

Research Model

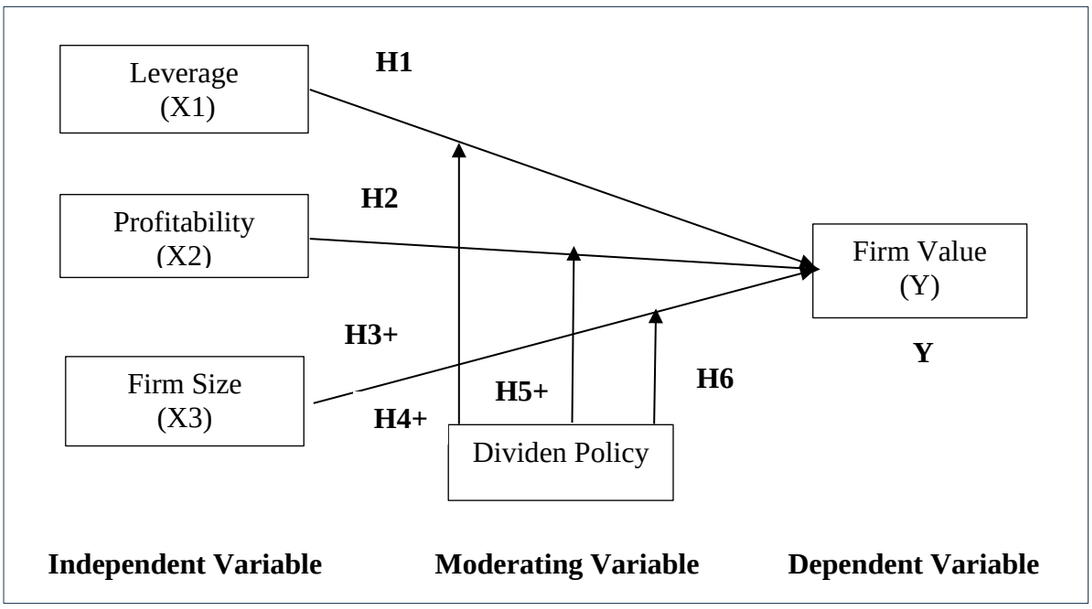

Figure 1. Research Model

Research items included manufacturing firms listed on the Indonesia Stock Exchange

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(IDX) between 2017 and 2021. Samples were chosen utilizing the method of *purposive sampling*, with the final result of collecting data samples from 270 to 246 (see table 1)by eliminating extreme data in this study using SPSS Boxplot version 21. Information is collected from documents originating from the Indonesian Stock Exchange (IDX) website: www.idx.co.id. The independent variables are leverage, explained by the ratio of debt to total equity; profitability, as return on assets; and business size, which is determined by total sales. The moderating influence is dividend policy, as demonstrated by the dividend payout ratio. Data analysis using Moderate Regression Analysis (MRA) (Ghozali, 2016). In the past, a classical assumption test would be performed to assess the accuracy of the data collected. This test includes an autocorrelation test, a heteroscedasticity test, a multicollinearity test, and a normality test.

Tabel 1. Sample selection process

Criterion	2017	2018	2019	2020	2021	Number
Companies listed on the IDX during the observation period (2017-2021)	140	140	140	140	140	700
Manufacturing companies that do not publish financial statements 2017-2021	-1	-1	-2	-4	-5	-13
Presentation of financial statements using other than rupiah currency	-28	-28	-28	-28	-28	-140
Companies that suffered losses in the year 2017-2021	-27	-25	-20	-38	-31	-141
Companies that do not pay dividends 2017-2021	-24	-28	-29	-27	-28	-136
Data Outlier	-6	-8	-6	-3	-1	-24
Total sample data that can be processed	54	50	55	39	47	246

Source: own elaboration

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Results and Discussion

To ensure the formation of a good regression model, prior to performing data analysis, classical assumption tests such as normality tests, autocorrelation tests, multicollinearity tests, and heteroscedasticity tests were performed. Normality test results using *One Sample Kolmogrov-Smirnov* show the Asymp.sig value in model 1 of 0.91 and in model 2 of 0.65. This value is > 0.05 because the data is believed to be regularly distributed.

Tabel 2. Normality Test

Model	N	Asymp.Sig. (2-tailed)	Conclusion
Model 1	264	0.91	Normal Distributed
Model 2	264	0.65	Normal Distributed

Source: SPSS Data Processing Results 26

A regression equation model's multicollinearity test is used to examine whether additional independent variables have a relationship with one another. The indicators used are the tolerance value and the VIF value; if the tolerance value is >0.10 and the VIF is <10, then multicollinearity is absent. The test results demonstrate that all variables' tolerance values are greater than 0.10 (tolerance values in Model 1 are DER 0.765, ROA 0.781, Size 0.834; tolerance values in Model 2 are DER 0.271, ROA 0.239, Size 0.785, DER*PBV 0.173, ROA*PBV 0.150, Size*PBV 0.131) and VIF values are less than 10.00 (VIF values in Model 1 are DER 1.307, ROA 1.281, Size 1.119; VIF values in Model 2 are DER 3.695, ROA 4.191, Size 1.274, DER*PBV 5.783, ROA*PBV 6.669, Size*PBV 7.612). This indicates that there is no multicollinearity between the independent variables in the regression model that was utilized.

Tabel 3. Multicollinearity test

Model	**Variabel**	**Tolerance**	**VIF**	**Information**
Model 1	DER	0.765	1.307	No multicollinearity
	ROA	0.781	1.281	No multicollinearity
	Size(sales)	0.834	1.199	No multicollinearity
Model 2	DER	.271	3.695	No multicollinearity
	ROA	.239	4.191	No multicollinearity
	Size(sales)	.785	1.274	No multicollinearity
	DER*PBV	.173	5.783	No multicollinearity

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	ROA*PBV	.150	6.669	No multicollinearity
	Size*PBV	.131	7.612	No multicollinearity

Source: SPSS Data Processing Results 26

The research regression model with the same residual variance from one observation to the next was calculated using the heteroscedasticity test. To test heterocedasticity, the research used the *Glejser test* by regressing variables with absolute residuals; if the significance value was < (α) 0.05, then there was an indication of heteroscedasticity. The test's findings for heteroscedasticity showed that all variables showed sig. above 0.05 (Model 1 value: Sig. DER 0.741, ROA 0.158, Size 0.186, Model 2: DER 0.658, ROA 0.120, Size 0.341, DER*PBV 0.294, ROA*PBV 0.053, Size*PBV 0.059). This result suggests that the regression model does not contain any heteroscedasticity.

Tabel 4. Heterokedesticity Test

Model	Variabel	Nilai sig.	Information
Model 1	DER	.741	No heterodesticity
	ROA	.158	No heterodesticity
	Size(sales)	.186	No heterodesticity
Model 2	DER	.658	No heterodesticity
	ROA	.120	No heterodesticity
	Size(sales)	.341	No heterodesticity
	DER*PBV	. 294	No heterodesticity

Source: SPSS Data Processing Results 26

The autocorrelation test is used to determine whether the data in the linear regression model show a link between confounding errors in the t-1 period or earlier. This study uses the *Durbin-Watson* autocorrelation test, which gives Durbin-Watson on Model 1 1038 numbers and results in *Durbin-Watson* on Model 2 with a figure of 1129. In the autocorrelation test, there are criteria that must be fulfilled in order to be free of autocorrelation, namely Durbin-Watson values between -2 and +2. If it is less than -2 or more than +2, then the data is declared to have autocorrelation. In this research, the data results from Durbin-Watson Model 1 are -2 < 1.038 < +2 and in Model 2 are -2 < 1.129 < +2. This demonstrates that the data do not exhibit autocorrelation.

Tabel 5. Autocorrelation test

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Model	Durbin-Watson	Conclusion
Model 1	1.038	Autocorrelation-Free
Model 2	1.129	Autocorrelation-Free

Source: SPSS Data Processing Results 26

Determination Coefficient Test *(Adjusted R^2)*

The coefficient of determination (R^2) gauges how well the model can predict changes in the dependent variable. The dependent variable's coefficient of determination (R^2), which varies from 0 to 1, can be used to calculate how much the independent variable impacts it. The model better captures the link between the independent and dependent variables when the coefficient of determination (R^2) value is close to 1.

Table 6. Test Result for the Coefficient of Determination (*Adjusted R^2*)

No	Model	Adjusted R Square	Percentage
1	Model 1	0.347	34.7%
2	Model 2	0.367	36.7%

Source: SPSS Data Processing Results 26

The coefficient of determination (R^2) on Table 1 in Model 1 is 0.347. This demonstrates that factors like leverage, profitability, and firm size can be understood as accounting for 34.73 percent of the variable firm value. While other variables not examined in this study have an impact on the remaining 65.27 percent. In contrast, Model 2 in Table 1 has a coefficient of determination of 0.367, or 36.7%, indicating that company value may be explained by the interplay of leverage, profitability, and dividend policy factors. While other characteristics not covered in this research account for the remaining 63.3%.

F Test

The regression model in this study was evaluated using the F test. The independent variable can be utilized to explain the dependent variable if the F-statistic value is greater than the F-table value and the significance value is less than 0.05. Using Table 2, we can determine that Model 1 has an F-Statistic of 34,642 and a probability value of 0.000<0.05, and Model 2 has an F-Statistic of 21,006 and a likelihood ratio of 0.000<0.05. Leverage, profits, and business size are pertinent variables to employ in explaining firm value in order to draw conclusions.

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Table 7. Simultaneous Significant Test Results (F Statistical Test)

No	Model	F Count	Significance Value
1	Model 1	34,642	0.000
2	Model 2	21,006	0.000

Source: SPSS Data Processing Results 26

Statistical Test T

The t-statistic test is used to determine how much each independent variable contributed to the variation of the dependent variable. If the significance value (sig-t) is less than the value (α) = 0.05, then the hypothesis is accepted, and in light of this, it can be said that the independent variable significantly affects the dependent variable.

Table 8. Statistical Test Results

No	Model	Variable	Unstandardized Beta	T Statistics	sig.	Information
1	Model 1	C	-7.104	-2.927	0.004	
		DER	0.187	2.593	0.010	H1 supported
		ROA	0.443	7.662	0.000	H2 supported
		Size	2.843	3.747	0.000	H2 supported
2	Model 2	C	-2.438	-0.585	0.559	
		DER*PBV	-0.162	-1.981	0.049	H4 supported
		ROA*PBV	0.036	0.591	0.046	H5 supported
		Size*PBV	-0.142	-0.149	0.882	H6 disproved

Source: SPSS Data Processing Results 26

Considering the test outcomes in Table 3, it can be concluded that the leverage variable has a sig value of 0.010, which indicates the influence of firm value, and an unstandardized beta of 0.187, which indicates a positive direction. The profitability variable has an unstandardized beta of 0.443, which suggests a positive direction, and a sig value of 0.00, which shows an impact on company value. The effect on firm value is represented by the firm size variable's sig value of 0.000, and its unstandardized beta value of 2.843 denotes a positive direction. In addition, dividend policy is able to moderate leverage on firm value, as evidenced by a value of 0.049 with a negative direction and an unstandardized beta of -0.162. As suggested by a value of 0.046 and an unstandardized beta of 0.036, the policy of dividends can reduce the consequence of profitability on firm value. Finally, a sig value of 0.882 shows that the policy of paying out dividends did not successfully mitigate the impact of corporate size on firm value.

***Leverae* Effect on Firm Value**

Results from the research demonstrate that leverage played a substantial role in the rise

in corporate worth. According to the theory *trade-off*, companies that decide to take on debt will benefit more than companies that only rely on the company's core capital or stock investors (Alghifari et al., 2022). There are various advantages for companies that decide to go into debt. *Leverage* provides benefits in the form of lower interest costs than equity. In many cases, the interest paid on debt is lower than the rate of return expected by shareholders. Thus, the use of leverage allows the company to increase the profits available to shareholders, which in turn can boost the company's worth.

Additionally, using debt in the capital structure of the business might lower its tax obligations. Interest paid will be a tax deduction, and creditors will only get a return in a fixed amount (Irawan et al., 2022). This can increase the cash flow available to the company and positively affect its value. The use of leverage can increase the company's risk level because debt has fixed payment obligations. However, by taking on the risk, the company can earn a higher return on the investment or use of the funds. The value of the company can rise if using leverage is successful in generating a better rate of return than the cost of debt.

In keeping with the view of agency theory, which clarifies why the capital structure (equity and debt) is designed to minimize conflicts between stakeholders such as shareholders and managers (Almomani et al., 2022). The advantage of debt is that there are other parties who control the company's management activities, namely creditors. The more parties in control, the lower the risk that management will take detrimental actions (Almomani et al., 2022). The risk of bankruptcy will be smaller if it is supervised by external parties, namely creditors, where this will benefit a company (Almomani et al., 2022). In comparison to companies that just rely on the company's core capital, the chance to record revenue growth is stronger the higher the capital (equity and liabilities) owned by the company. Investors prefer companies that have the capacity to make substantial profits because of their ability to generate high returns (Jihadi et al., 2021). Investors will put their money to work for corporations that ask to buy more company stock in order to increase the worth of the enterprise as a whole because this is advantageous for the company in their eyes.

Ratio *leverage* A well-maintained company will entice investors to put their money to good use. The results of this investigation corroborate those of earlier research by Siagian & Surbakti, (2021); Lestari & Hernita, (2020), who stated that *leverage* increases a company's value.

Profitability on FirmValue

This study showed that the profit made has a favorable and considerable impact on the value of the company. This indicates that a high level of profitability increases the worth of a

company. A high level of profitability shows that the company is adept at turning a profit from its operations. This can reflect the quality of management, operational efficiency, and the company's competitive advantage. Substantial profitability can also reflect positive growth prospects. Investors will tend to place more value on businesses that have strong profitability because they are considered to have good growth and income potential in the future. High profitability can also bolster investor faith in the business. Consistent and consistent levels of profitability serve as an indicator that the business can continue to turn a profit. Investor trust in the company's capacity to produce consistent cash flows and deliver profitable returns may rise as a result. The trust and security engendered by high profitability can encourage investors to provide higher firm value. Investors will be interested in companies that can increase profits year after year (Linawati et al., 2022). Because they can provide big returns, investors trust businesses that can generate significant profits (Akhmadi & Januarsi, 2021); a strong company profitability ratio will attract investors to invest in businesses. (Sumani & Suryaningsih, 2022); high investor interest in a company can increase company value (Sudiyatno et al., 2020)**.**

High profitability directly impacts the fundamental worth of the business. Profitability is a significant aspect of establishing a firm's value utilizing corporate valuation techniques like discounted cash flow (DCF) or the price-to-earnings rasio (P/E ratio). High profitability might result in increased future cash flows and raise the company's intrinsic value. The findings of this investigation are in line with previous studies by Alifiani et al. (2020); Lestari & Hernita (2020); Siagian & Surbakti (2021); Putri (2018); Ambarwati (2021), which states that profitability has a positive effect on firm value.

Firm Size on Firm Value

The findings of this analysis indicate that firm size significantly increases business value. A significant factor in determining a company's value is its size. When compared to its rivals in the same industry, a business's size might indicate how strong it is in the market. (Alghifari et al., 2022)**.** Larger companies tend to have advantages of scale, which can improve operational efficiency and reduce production costs. This could boost the business's profitability and, consequently, its value. Having large assets, capital, and sales will give a company more advantages than its competitors (Sumani & Suryaningsih, 2022)**.** Larger scale can also provide competitive advantages, such as the ability to negotiate better prices with suppliers or having access to larger resources, which can increase firm value.

Larger companies are often considered to be more stable and have higher financial security. Companies that are larger in size will be more stable (Santosa, 2020). Investors tend to trust larger companies because they have greater resources and capabilities to face economic

challenges. This can increase the company's perception of security and credibility in the market, which in turn can increase its value.

Larger companies have better access to capital markets and wider investment opportunities. They can more easily obtain funding through the issuance of stocks or bonds and have the flexibility to invest in projects that have the potential to generate high returns. It can contribute to company growth and increase company value. Companies that have a larger company size compared to their competitors will have greater power in the market. The findings of this study corroborate those of earlier investigations, including Akbar (2020); Monica & Denziana (2016); Chasanah (2019); Muharramah & Hakim (2021), which show that company value is impacted by company size.

***Leverage* on Firm Value with Dividend Policy as A Moderation**

The results demonstrate that payout policies can lessen the negative effects of debt on corporate value. Dividend policy is always related to the company's strength in creating profits. Large dividends are more likely to be paid out when net profit is higher. Investors undoubtedly like the practice of paying out substantial dividends because it can signal successful business performance (Sumani & Suryaningsih, 2022).

High dividend payout policies may reduce the beneficial effects of leverage on business value. If a company uses leverage to amplify profits, but a high dividend policy diverts a large proportion of the distribution of profits to shareholders, the cash flow available for company growth or investment may be limited. In the long run, this can have an impact on the value of the business. There is concern about corporations employing debt since the net income they get is frequently utilized to pay debts rather than dividends, which is obviously unpopular with investors. As a result, dividends decrease the impact of leverage on company value. (Adiwibowo, 2018). The outcome of this study aligns with studies by Aldi et al., (2020); Krismandari & Amanah, (2021); Maryanti & Ayem, (2022), It showed that policy on dividends can affect leverage in business value negatively.

Profitability on Firm Value with Dividend Policy as A Moderation

The findings of the analysis show that dividend policy moderates the effect of profitability on firm value. Having the power to generate profits is the aim of establishing a company. Investors will become more attracted to a business's ability to manage its business operations as it generates more profits. (Linawati et al., 2022). The profit generated by the company can be used for two things: first, to be distributed to shareholders, or for retained earnings. If the business pays dividends to its shareholders from the profits generated, of course investors will be more interested in the company (Setyawati, 2019). This is theoretically

reinforced; shareholders will prefer dividends over capital gains in terms of profit distribution (Nandita & Kusumawati, 2018). The more investors trust the company, the more its value increases because investors will invest their capital.

A high payout policy can enhance the beneficial impact of profitability on the value of the company. If the company generates high profits and distributes most of these profits to shareholders, a high dividend policy can reflect good financial performance and increase investors' perceptions of the firm's value. This influences how much the company is worth. These outcomes correspond with research conducted by Julita et al. (2015); Munawaroh (2017); Setyawati (2019), which revealed that paying out dividends has a positive effect on profitability and business value.

Firm Size on Firm Value with Dividend Policy as A Moderation

The result showed that dividend policy failed to moderate company size relative to its value. Company size is a metric that reveals the level of financial stability. The more solid the company's finances are, the more stable it is compared to its competitors. (Muharramah & Hakim, 2021). Due to the financial stability of a company, the dividends that will be distributed tend to be stable, so investors feel safe and have confidence in the company. Conversely, if the size of the firm is small, the company's finances are not stable, so it is unlikely to pay dividends (Irawan et al., 2022). The small dividends that are distributed make investors not too sure about the company, and investors are probably not going to put money into the company, which will affect its value.

From the test results, the policy of paying out dividends does not moderate the impact of firm size on company value. These outcomes suggest that firm size has no impact on the policy on dividends. This can happen because other factors, such as profitability or company growth, have a greater impact on company value than company size. These results also indicate that the firms in the sample have dividend policies that are relatively consistent and do not vary significantly based on firm size. Because it does not distinguish between various companies depending on their sizes in this situation, the payout policy is unable to attenuate the impact of firm size on company value.

This finding's outcomes are consistent with studies done by Khasanah & Aryati (2019), It claims that firm size has no bearing on the policy of dividends when determining firm value.

Conclusion

Based on the analysis's findings, it can be concluded that: (1) Leverage positively affects firm value; (2) Profitability significantly affects firm value; (3) The size of the company favorably affects firm value; and (4) Leverage with a moderate policy on dividends is

detrimental to the value of the firm; (5) Profitability positively affects firm value and is moderated by dividend policy; and (6) Company size positively affects firm worth and is moderated by a policy of dividends. To produce a more reliable study, future research can increase or decrease the number of variables and the number of periods to be studied.

The findings of this study should be helpful to companies in selecting how to implement debt and dividen policy at their company. Companies should pay attention to the ratio of dividend distribution to shareholders in order to maintain the stability of dividends that will be received by investors so that shareholders' confidence in the company remains good and causes good signals for other investors. For investors, should pay attention to detail and detail about the company's financial statements each year whether the company can provide good prospects in the future or not, providing benefits in the form of dividends or not. Investors can see from companies that distribute dividends stably indicating that the company is performing well in the future and has an increased company value.

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