



The Effect of Dividend Policy on Company Value with Capital Structure as a Moderator in Undervalued Issuers on the Bei Development Board in 2021-2025: Financial, Logistics and Mining Sectors

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ABSTRACT

This study aims to analyze the influence of dividend policy on firm value, with capital structure serving as a moderating variable, among undervalued issuers listed on the Indonesia Stock Exchange (IDX) Development Board during the 2021–2025 period within the financial, logistics, and mining sectors. The study employs a quantitative approach using an explanatory method. The sample was selected via purposive sampling, resulting in 19 companies and a total of 95 observations. Secondary data obtained from corporate financial statements and annual reports were used. Dividend policy was measured using the Dividend Payout Ratio (DPR), firm value using the Price to Book Value (PBV), and capital structure using the Debt to Equity Ratio (DER). Data analysis was conducted using Moderated Regression Analysis (MRA). The results indicate that dividend policy has a positive and significant effect on firm value. Furthermore, capital structure was found to significantly moderate the influence of dividend policy on firm value in a negative direction. These findings suggest that while dividend payments can enhance firm value, this effect tends to weaken in companies with high leverage levels. The study implies that companies need to balance dividend policy and capital structure considerations to maximize firm value.

Keywords: Dividend Policy, Capital Structure, Firm Value, DPR, DER, PBV, Undervalued Issuers.

INTRODUCTION

Capital markets play a strategic role in supporting national economic growth by mobilizing long-term funds and serving as an investment vehicle for the public. For companies, capital markets offer alternative funding sources to finance expansion, investment, operational capacity development, and working capital needs. For investors, these markets provide instruments to generate returns while participating in corporate ownership. Within this mechanism, share prices serve as a crucial indicator, reflecting how the market assesses a company's performance, risk, growth prospects, and ability to create value for shareholders.

However, quantitative growth in capital markets does not always translate into higher-quality corporate valuations. A rising number of listed companies and increased market activity do not automatically imply that share prices across the board accurately reflect fundamental conditions. In practice, share price formation is influenced by various factors, including information limitations, information asymmetry, trading liquidity, investor sentiment, macroeconomic conditions, commodity price volatility, and risk perceptions regarding specific industrial sectors. Such conditions can create a gap between market valuation and a company's fundamental value.

This phenomenon is particularly relevant during the 2021–2025 period, which encompasses the post-COVID-19 economic recovery and is marked by shifting global economic conditions. Inflationary pressures, rising interest rates, commodity price volatility, supply chain disruptions, and geopolitical uncertainties pose challenges for investment decisions. Under these circumstances, investors tend to be more selective, evaluating companies based on fundamental quality, risk, stock liquidity, cash-generating capacity, and growth prospects.



Companies still in the development stage may face greater challenges in achieving market appreciation, despite possessing growth potential.

This pattern is relevant to examine in the context of issuers listed on the Development Board of the Indonesia Stock Exchange (IDX). The Development Board serves as a listing venue for companies that possess growth potential but remain in the business development stage. These characteristics mean that issuers on the Development Board may face relatively large funding needs, higher risk profiles, and distinct trading liquidity levels compared to companies at more mature business stages. Such conditions can ultimately influence how investors interpret financial information and management decisions.

A significant phenomenon in this context is the state of being "undervalued"—a situation where a company's market value is lower than its book value. In this study, an undervalued condition is identified by a Price-to-Book Value (PBV) ratio of less than one ($PBV < 1$). The PBV ratio compares a stock's market price to its book value per share and serves as an indicator of how the market values the company's economic worth. A PBV below one indicates that the market values the company at less than its equity book value, reflecting a valuation gap between the value recorded in financial statements and the valuation assigned by investors in the market.

The undervalued condition warrants research because it cannot be interpreted solely as an indication of poor corporate performance. On one hand, a low valuation may stem from fundamental issues, business risks, profitability concerns, or unconvincing growth prospects. On the other hand, it may reflect information asymmetry, low liquidity, or divergent investor perceptions regarding the company's prospects. Consequently, undervalued companies provide a relevant context for examining whether specific financial policies can help improve market perception and enhance corporate value.

Theoretically, this situation can be explained through the perspectives of information asymmetry and signaling theory. Spence (1973) posited that parties possessing superior information can utilize signals to reduce uncertainty for other parties. In the context of capital markets, management holds internal information regarding a company's prospects, cash-generating capabilities, and risks—information not fully available to investors. Ross (1977) subsequently expanded upon this concept within the realm of corporate finance, suggesting that financial decisions can convey information used by the market to assess a company's prospects. Consequently, when market prices fall below book value, there is an opportunity to examine whether information conveyed through corporate financial decisions—specifically dividend policies—can alter investor perceptions of the company's value.

This study focuses on publicly listed companies in the financial, logistics/transportation, and mining sectors listed on the Indonesia Stock Exchange (IDX) Development Board during the 2021–2025 period. While these three sectors play strategic roles in the economy, they differ in terms of business characteristics, asset structures, financing needs, and risk profiles. It is crucial to consider these differences, as investor responses to financial information and corporate decisions may vary across industries. Thus, examining these three sectors provides a more specific empirical context than studies that aggregate all listed companies without accounting for the specific characteristics of the Development Board or the condition of being undervalued.

The number of listed companies stood at 91 in 2021, rising to 96 in 2022, 100 in 2023, 108 in 2024, and 118 in 2025. This increase indicates that a growing number of companies are utilizing the capital market as a source of funding. However, the rise in the number of listed companies has not automatically been accompanied by an improvement in the quality of corporate valuations.

The number of listed companies with a Price-to-Book Value (PBV) ratio below one remained relatively high throughout the observation period. In 2021, 30 listed companies—approximately 32.97% of the total sample—were undervalued. This proportion rose to 42.71% in 2022 and 49.00% in 2023. The figure peaked in 2024, with 56 out of 108 companies (approximately 51.85%) recording a PBV below one. Although the number of undervalued companies declined to 41 (approximately 34.75%) in 2025, the proportion still indicates that more than one-third of the observed companies had not yet achieved market appreciation commensurate with their book value.



This phenomenon highlights a situation that warrants further in-depth analysis. On one hand, the total number of listed companies increased year by year; on the other, the proportion of undervalued companies remained high, even exceeding 50% in 2024. Thus, a company's success in securing funding through the capital market has not always been accompanied by an improvement in market perception regarding its value. This phenomenon serves as a crucial basis for identifying internal corporate factors that potentially influence the formation of firm value—specifically financial policies that investors interpret as signals regarding a company's condition and prospects.

From the perspective of Signaling Theory, dividend distribution decisions can be viewed as signals regarding management's confidence in the company's ability to generate future profits and cash flows. Bhattacharya (1979) explains that dividends can serve as signals under conditions of information asymmetry, as higher dividend payments may convey information about the company's cash flow prospects. This perspective is reinforced by the "Bird-in-the-Hand" theory proposed by Gordon (1963) and Lintner (1962), which positions dividends as a more certain form of return for investors compared to capital gains, which remain dependent on market conditions. Consequently, dividend policy can theoretically boost investor confidence and ultimately has the potential to increase firm value.

However, this relationship is not straightforward. Through their Dividend Irrelevance Theory, Modigliani and Miller (1961) argued that in a perfect capital market, dividend policy does not determine firm value, as value is primarily driven by profit-generating capacity and investment decisions. In real-world market conditions—characterized by taxes, transaction costs, uncertainty, and information asymmetry—the assumptions of a perfect market do not fully hold. It is this divergence in perspectives that makes the impact of dividend policy on firm value an empirical issue worthy of further examination.

In this study, dividend policy is measured using the Dividend Payout Ratio (DPR), a ratio representing the proportion of earnings distributed to shareholders. A higher DPR indicates a larger share of earnings distributed as dividends, whereas a low DPR suggests that the company is retaining a greater portion of its profits. For publicly listed companies still in the development stage, this decision is particularly significant, as the firm faces a choice between providing returns to shareholders and retaining funds to finance expansion, investments, and operational needs.

In addition to Signaling Theory, the relationship between dividend policy and firm value can also be explained through Agency Theory. Jensen and Meckling (1976) identified a potential conflict of interest between owners and managers arising from the separation of ownership and control. Dividend payments reduce the funds under management's control, thereby potentially limiting the scope for resource allocation that does not align with shareholders' interests. Consequently, dividends can serve an indirect monitoring function by reducing the free cash flow available to management. This perspective is particularly relevant for undervalued companies, as investors may pay closer attention to mechanisms that demonstrate management discipline and the protection of shareholder interests.

However, comparing dividend policy trends with the phenomenon of Price-to-Book Value (PBV) ratios falling below one reveals an interesting empirical pattern. The proportion of undervalued companies consistently exceeds the proportion of companies that distribute dividends. Notably, in 2024, while 51.85% of listed companies had a PBV ratio below one, only about 26% distributed dividends. This indicates that the majority of companies facing low market valuation do not rely on dividend distribution as a primary policy.

Conversely, data also show that some companies continue to distribute dividends despite having a PBV ratio below one. This suggests that the relationship between dividend policy and firm value is complex. Dividend payments are not invariably followed by significant market appreciation, nor do companies that withhold dividends necessarily suffer from low firm value. These disparities imply that the market's response to dividend policy is likely influenced by other aspects of a company's financial condition. Therefore, further analysis is required to identify the factors that may alter the strength of the relationship between dividend policy and firm value.



Theoretically, capital structure decisions can be explained through Trade-Off Theory and Pecking Order Theory. Trade-Off Theory posits that companies determine their debt-equity mix by weighing the tax benefits of debt against the costs of bankruptcy and financial distress, which rise as leverage increases. From this perspective, excessively high debt levels can heighten risk, leading investors to view dividend distributions with greater caution. Meanwhile, the Pecking Order Theory developed by Myers and Majluf (1984) posits that, due to information asymmetry, companies tend to prioritize internal funding sources, followed by debt, and finally equity issuance. Consequently, the decision to distribute dividends while simultaneously addressing funding needs can result in different outcomes depending on the company's capital structure.

The mining sector exhibits greater fluctuations in the Debt-to-Equity Ratio (DER). The average DER was recorded at 3.49 times in 2021, dropped to 0.70 times in 2022, rose to 1.23 times in 2023, increased again to 3.31 times in 2024, and stood at 2.47 times in 2025. These fluctuations indicate that financing decisions in the mining sector can change significantly across periods. This situation is relevant given the mining industry's substantial investment requirements and its susceptibility to commodity price dynamics and business cycles.

Consequently, there is a theoretical mechanism linking the three research variables. Signaling Theory explains that dividend policy can convey information to investors; Agency Theory explains the potential role of dividends in mitigating conflicts of interest; while Trade-Off Theory and Pecking Order Theory explain the consequences of capital structure for risk, financing flexibility, and profit distribution decisions. The combination of these perspectives provides a theoretical basis suggesting that the impact of the Dividend Payout Ratio (DPR) on Price-to-Book Value (PBV) need not be uniform across all companies but may depend on capital structure conditions as reflected in the DER.

Meanwhile, the logistics/transportation sector displays a different pattern. The average DER in 2021 was recorded as a negative figure (-2.24 times) due to the presence of companies with negative equity. In the following year, the average DER ranged from 0.03 to 0.20 times. This indicates that the capital structure of this sector possesses characteristics distinct from those of the financial and mining sectors. Such differences demonstrate that, even though companies may be listed on the same board (the Development Board), financing conditions and financial risks are not homogeneous across sectors.

These variations in capital structure become significant when linked to dividend policy. Dividends distributed by companies with relatively healthy capital structures may be perceived as a signal that the firm possesses the ability to generate cash flow while simultaneously meeting its financing obligations. Conversely, dividend distribution by highly leveraged companies may be viewed with greater caution, as investors must consider whether such profit distributions diminish the company's ability to meet obligations or finance growth. Thus, capital structure can conceptually alter the strength of the signal conveyed through dividend policy.

When the phenomena of firm value, dividend policy, and capital structure are analyzed in an integrated manner, three key empirical conditions emerge. First, the number of listed companies in the financial, logistics/transportation, and mining sectors on the Development Board increased from 91 in 2021 to 118 in 2025. Second, this increase in the number of listed companies has not been accompanied by the disappearance of the "undervalued" phenomenon; the proportion of firms with a Price-to-Book Value (PBV) ratio of less than 1 actually reached 51.85% in 2024. Third, only about 26%–30% of listed companies distributed dividends in every year of the observation period, while capital structures exhibited significant variation across sectors and time periods.

LITERATURE REVIEW

Agency Theory

Agency theory, as proposed by Jensen and Meckling (1976), examines the conflict of interest between management (acting as agents) and shareholders (acting as principals). This conflict arises from divergent objectives and information asymmetry between the two parties. In the realm of dividend policy, dividend distribution can limit the amount of free cash flow potentially subject to misuse by management.



Higher dividend payments reduce the funds under management's control, thereby curbing the likelihood of inefficient investments. Consequently, dividend policy is viewed as a means to bolster investor confidence and, ultimately, enhance firm value.

Signaling Theory

Signaling theory, proposed by Spence (1973), posits that management possesses superior knowledge regarding internal information compared to investors. To mitigate information asymmetry, management can transmit signals to the market through observable policies, such as dividend policy. Dividend payments are perceived as positive signals regarding the company's future earnings and financial stability.

For undervalued companies, the signaling role is particularly crucial due to limited information availability and low investor attention. Thus, dividend policy can serve as an efficient communication tool to strengthen investor confidence and improve the company's valuation.

Bird-in-the-Hand Theory

The "bird-in-the-hand" theory, proposed by Gordon and Lintner (1963), asserts that investors prefer tangible dividends over uncertain capital gains. According to this theory, increasing dividend payments reduces perceived risk for investors, ultimately enhancing firm value. This theory is particularly relevant for undervalued companies, where investors tend to be more cautious, prioritizing cash flow certainty over the prospect of uncertain long-term gains.

Dividend Irrelevance Theory

Through the Dividend Irrelevance Theory, Miller and Modigliani (1961) proposed that in an ideal securities market, dividend policy has no impact on firm value. However, the conditions of a perfect market are rarely met in reality, particularly in emerging markets like Indonesia. Factors such as taxes, transaction costs, and information asymmetry mean that dividend policy remains significant in influencing firm value.

Clientele Effect Theory

The Clientele Effect Theory (Modigliani-Miller) suggests that different categories of investors hold diverse preferences regarding dividend policy. Certain investors favor substantial dividends, while others prefer capital gains. Consequently, a company's chosen dividend policy attracts specific types of investors based on their preferences, which in turn can influence stock demand and firm value.

Trade-Off Theory

Based on the Trade-Off Theory proposed by Modigliani and Miller (1963), companies strive to achieve an optimal capital structure by balancing the benefits of debt—such as tax efficiency—against the risks of bankruptcy and financial distress. A suboptimal capital structure can increase business risk and diminish firm value.

Pecking Order Theory

The Pecking Order Theory, proposed by Myers and Majluf (1984), indicates that companies prioritize their choices regarding sources of funding. Firms tend to favor internal financing, followed by debt, and finally the issuance of new equity. This theory illustrates that a company's level of debt is influenced by its financing needs and the availability of internal funds.

RESEARCH METHOD

This study employs a quantitative method characterized by an explanatory research design. The quantitative approach is used to empirically test the causal relationships between variables through



numerical data analysis and hypothesis testing using statistical techniques. Meanwhile, the explanatory research aims to explain the impact of dividend policy on firm value and to examine the role of capital structure as a moderating variable in that relationship.

This study focuses on the analysis of dividend policy, capital structure, and firm value. These variables are measured using the Dividend Payout Ratio (DPR) for dividend policy, the Debt-to-Equity Ratio (DER) for capital structure, and the Price-to-Book Value (PBV) for firm value.

The research subjects are publicly listed companies classified as undervalued issuers and registered on the Indonesian Capital Market Development Board for the 2021–2025 period, operating in the following sectors: finance, logistics and mining. These sectors were selected because they differ in risk characteristics, asset structures, and leverage levels, all of which can influence dividend policy and firm value. The subjects of this study consist of entities listed on the Indonesian Capital Market Development Board in the finance, logistics, and mining sectors, with an observation period spanning 2021 to 2025. The sample in the study consisted of 19 companies. The sampling technique used is purposive sampling, a method of selecting samples based on specific criteria established in accordance with the research objectives. The criteria for sample selection in this study are as follows:

1. Companies continuously listed on the Indonesian Capital Market Development Board during the 2021–2025 period.
2. Companies operating in the finance, logistics, and mining sectors.
3. Companies that have prepared comprehensive, audited annual financial statements throughout the research period.
4. Entities with a Price-to-Book Value (PBV) of less than 1 (undervalued).
5. Companies that distributed cash dividends at least once during the observation period.

Table 1. Research Sample

Sectors	Company code
Financial	BBLD
	BNBA
	BPFI
	SDRA
	IMJS
Logistics	WEHA
	JAYA
	TRJA
	HAIS
	LAJU
	GTRA
	KLAS
Mining	HUMI
	GTBO
	RUIS
	SMMT
	SEMA
	CGAS
	SOCI
Total	19

This study employs Moderated Regression Analysis (MRA) as the data analysis technique, utilizing an interaction equation model. The approach aims to examine the direct effect of dividend policy on firm value while simultaneously evaluating the extent to which capital structure moderates this relationship by either strengthening or weakening the observed effect. The following is data on issuers listed on the IDX Development Board from 2021 to 2025, covering the Financial, Mining, and Logistics sectors.

Table 2. IDX Development Board from 2021 to 2025 covering the Financial, Mining, and Logistics sectors.

No	CODE	2025			2024			2023			2022			2021		
		PBV	DER	DPR	PBV	DER	DPR	PBV	DER	DPR	PBV	DER	DPR	PBV	DER	DPR
1	GTBO		0.18	0.7		0.22	0.74		0.33	1.36	13.75%	0.32	0.63		0.39	0.32
2	RUIS		1.41	0.27		1.52	0.23		1.44	0.27	13.4%	1.42	0.33	16.8%	1.68	0.33
3	SOCI	11.2%	0.48	0.52	5.2%	0.51	0.18		0.58	0.22		0.70	0.22		0.71	0.26
4	BBLD	146.5%	4.08	1.13	29.9%	3.66	0.75	31.3%	3.15	0.78	30.1%	2.52	0.76	34.4%	1.88	0.49
5	BPFI	37.25%	1.35	0.73	30.0%	0.82	0.76	30.0%	0.75	1.04	20.0%	0.34	1.81		0.41	2.79
6	SDRA	-11%	3.34	0.3	-21.6%	3.26	0.44	57.9%	4.34	0.47	38.4%	4.19	0.49	43.2%	3.73	0.52
7	WEHA	39.5%	0.59	0.76	31.0%	0.53	0.63	27.6%	0.54	1.07		0.48	0.82		1.05	1.74
8	JAYA	89.0%	2.04	0.79	64.9%	0.78	0.61	26.1%	0.37	0.75	55.23%	0.12	0.74	53.3%	0.11	1.33
9	TRJA		0.98	0.68		1.26	0.72		2.07	1.14	12.43%	1.5	0.98	13.1%	1.01	2.1
10	HAIS	30%	0.89	0.82	33.4%	0.6	0.77	33.3%	0.37	0.85	30.0%	0.21	1.07	30.0%	0.24	1.04
11	AMAG	127.9%	1.65	0.91	87.5%	1.95	0.91	101.3%	2	0.85	58.9%	1.77	1.06	167.3%	1.5	0.9
12	ADMF	50.4%	1.56	0.71	61.8%	1.82	0.85	50.0%	1.79	0.99	50.0%	1.48	0.9	50%	1.67	0.87
13	ASRM		2.34	0.84	61.0%	1.54	0.6	22.3%	1.73	0.7	22.9%	1.65	0.81	25.8%	1.57	0.94
14	TIFA	96.4%	0.67	1.39	98.3%	0.69	1.61		0.57	2		0.47	1.32		0.35	2.11
15	LPGI	12.4%	1.97	1.38	28.1%	2.44	1.08	32.6%	2.28	1.44	21.9%	3.01	2.4	101.6%	2.35	0.84
16	MTWI	32.4%	7.83	2.65	20.0%	6.19	1.31		4.8	0.77		3.21	0.63		2.89	1.33
17	LIFE	162.9%	0.84	1.86	95.6%	0.9	1.98	63.1%	0.96	1.69	101.1%	1.02	1.41	96.7%	1.12	1.71
18	TRUS	62.1%	0.23	0.87	42.9%	0.06	1.74		0.13	0.76		0.07	0.8		0.07	1.02
19	WOMF	30%	2.72	0.57	30%	2.67	0.65	30%	2.91	0.75	30%	2.73	0.59	29.9%	2.86	0.64

The selection of the 2021–2025 research period is based on several academic and empirical considerations:

1. This period represents the post-COVID-19 economic recovery and adjustment phase, during which the Indonesian capital market began to stabilize after facing significant pressure in 2020. Consequently, the 2021–2025 period is deemed relevant for observing how the market responds to internal corporate policies—specifically dividend policies—within an economic environment that is more stable yet remains dynamic.
2. This period reflects a phase of active monetary and fiscal policy transitions, including changes in benchmark interest rates and global inflation dynamics that influence corporate capital structures. Such shifts in macroeconomic conditions have the potential to affect the financing decisions (leverage) and dividend distribution policies of listed companies, thereby influencing investor perceptions and firm value.
3. A five-year timeframe is considered sufficient to construct a statistically robust panel dataset; it captures variations in corporate behavior across periods without being so short that patterns are lost, or so long that it risks encountering inconsistencies in industry structure. This timeframe also facilitates a more robust analysis of the moderating role of capital structure in the relationship between dividend policy and firm value.

RESULTS AND DISCUSSION

Table 3. Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.4282	0.20942	-2.0448	0.04376



DPR	0.7695	0.30391	2.53198	0.01306
DER	0.08777	0.07329	1.19761	0.23418
DPR_DER	-0.2773	0.09455	-2.9328	0.00425

$$\text{LOG(PBV)} = -0.42821 + 0.76950 \cdot \text{DPR} + 0.08777 \cdot \text{DER} - 0.27730 \cdot \text{DPR_DER}$$

Based on the regression analysis results, several coefficient values were obtained for the analyzed variables; the explanations are as follows:

1. C (Constant): The constant coefficient C is -0.42821, representing the intercept value on the Y-axis when all independent variables are zero. This means that if DPR, DER, and the interaction between DPR and DER have no effect (zero value), the predicted logarithmic PBV value would be -0.42821. This value provides a baseline for understanding the PBV in the absence of influence from the independent variables.
2. DPR (Dividend Payout Ratio): The DPR coefficient of 0.76950 indicates that a one-unit increase in DPR is estimated to raise the PBV (on a logarithmic scale) by 0.76950 units, assuming other factors remain constant. This positive relationship suggests that a higher dividend payout policy tends to elicit a positive market response, reflected in an increase in the company's market value relative to its book value.
3. DER (Debt to Equity Ratio): The DER coefficient of 0.08777 indicates that a unit increase in DER is estimated to raise the PBV (on a logarithmic scale) by 0.08777 units, assuming other factors remain constant. This finding indicates a positive relationship between capital structure and firm value. Although its contribution is relatively smaller than that of DPR, an increase in DER is still associated with a rise in PBV, reflecting a positive market response to the use of debt in the company's capital structure.
4. DPR_DER (Interaction between DPR and DER): The coefficient for the DPR_DER interaction is -0.27730, revealing a negative relationship between the interaction of DPR and DER and the PBV. This means that while both DPR and DER individually have a positive effect on PBV, their combined effect on PBV becomes negative. Each one-unit increase in the interaction between DPR and DER will result in a decrease of 0.27730 units in the PBV value.

Hypothesis Testing

Based on the t-test results, the hypothesis test findings are as follows:

1. DPR (Dividend Payout Ratio): The DPR coefficient is 0.76950, supported by a t-statistic of 2.53198 and a probability of 0.01306. A probability value lower than 0.05 indicates that the influence of DPR on PBV is statistically significant. The positive sign of the coefficient indicates that an increase in the dividend payout ratio correlates with an increase in PBV. These findings suggest that dividend policy plays a significant role in enhancing firm value as reflected in market valuation.
2. DPR_DER (Relationship between DPR and DER): The DPR_DER coefficient is -0.27730, with a t-statistic of -2.93281 and a probability of 0.00425. The very low p-value demonstrates that the relationship between DPR and DER has a significant effect on PBV. This negative coefficient indicates that, although DPR and DER individually exert a positive influence on PBV, the interaction between the two ultimately reduces the PBV value.
3. Based on the F-test results, an F-statistic of 3.84703 was obtained, with a probability value of 0.01214. The probability value, being below the 0.05 significance threshold, indicates that the regression model is significant overall. Consequently, the null hypothesis stating that all regression coefficients are equal to zero can be rejected. These results indicate that the variables included in the model collectively make a significant contribution to explaining and predicting the dependent variable.

Discussion

1. The Influence of Dividend Policy on Firm Value

Based on the test results, the Dividend Payout Ratio (DPR) was found to have a positive and significant influence on the Price to Book Value (PBV). The DPR coefficient of 0.76950, accompanied by a t-statistic of



2.53198 and a probability of 0.01306 (< 0.05), indicates that dividend policy makes a tangible contribution to increasing the firm's market value. Thus, the first hypothesis (H1), stating that dividend policy has a positive effect on firm value, is accepted.

The positive influence of DPR on PBV can be interpreted through Signaling Theory, which explains that dividend distribution policy serves as a means for companies to convey information regarding their financial condition, performance, and prospects to investors. A high DPR indicates that the company is capable of generating consistent profits and is committed to providing returns to shareholders through dividend distribution. This information is perceived by the market as a positive signal, thereby increasing investor interest in the company's stock. Consequently, the demand for shares rises, driving up the PBV, which reflects an increase in firm value (Haryono & Worokinasih, 2024).

Furthermore, from the perspective of agency theory, substantial dividends can reduce the likelihood of conflict between management and shareholders. By distributing profits as dividends, management's ability to use funds for suboptimal purposes is constrained, thereby fostering greater investor confidence in the company. This increased confidence is reflected in a higher market valuation, including the PBV ratio (Husain & Sunardi, 2020).

These research findings align with empirical evidence demonstrating a positive influence of DPR on firm value as reflected by PBV. Studies by Fadjar and Nugraha (2021) ; Hamidah and Hariadi (2024) indicate that increasing the proportion of earnings distributed as dividends can strengthen positive investor perceptions of the company, thereby driving an increase in the firm's market value. This condition indicates that investors tend to prefer the certainty of investment returns in the form of dividends over relying solely on expected gains from future share price appreciation.

Nevertheless, it is important to acknowledge that research findings vary. Some studies indicate that the Dividend Payout Ratio (DPR) does not consistently exert a significant influence on the Price-to-Book Value (PBV) ratio, particularly among listed companies with strong growth prospects that tend to retain earnings for investment purposes (Majid, 2015). Consequently, the positive impact of the DPR on PBV observed in this study suggests that the sample companies operate in a context where investors prioritize dividend payouts over the reinvestment of earnings. In other words, an increase in the DPR can enhance firm value by signaling positive performance and stability, while also minimizing risk for investors. These findings underscore the crucial role of dividend policy as a strategic tool for improving market perception and firm value.

2. The role of capital structure in moderating the influence of dividend policy on firm value.

Research findings indicate that the interaction between the Dividend Payout Ratio (DPR) and the Debt-to-Equity Ratio (DER) has a significant negative effect on the Price-to-Book Value (PBV) ratio. An interaction coefficient of -0.27730, with a significance level of 0.00425, suggests that capital structure plays a role in weakening the positive impact of dividend policy on firm value. These results indicate that the market tends to respond less favorably to companies implementing high dividend policies when those companies also carry high levels of leverage. Thus, substantial debt can diminish the effectiveness of dividend policy in enhancing firm value, leading to the acceptance of the second hypothesis (H2).

Theoretically, these findings align with Trade-Off Theory, which explains that while debt usage offers benefits such as a tax shield, it also increases the financial risk borne by the company. A combination of a high DPR and a high DER can intensify pressure on the company's financial position, as the firm must meet interest payment obligations while simultaneously maintaining its dividend distribution policy. This situation may heighten investor concerns regarding the company's ability to generate sufficient cash flow to meet all its obligations. Consequently, the market may assign a lower valuation to the company, causing firm value to decline. Therefore, the positive influence of dividend policy on firm value may be attenuated as the company's leverage level rises.

From the perspective of signaling theory, a high DPR generally serves as a positive signal regarding a company's performance and prospects. However, this signal loses credibility when the company has a high



debt load. Investors may interpret high dividend payouts amidst heavy debt not as being fully supported by fundamental strength, but rather as a potential strategy to uphold the company's market image. This aligns with the perspective of Brigham and Houston (2019), who state that a poor capital structure can affect the informational implications conveyed through dividend policy.

Furthermore, within the context of agency theory, the combination of a high DPR and a high DER can exacerbate conflicts between the interests of creditors and shareholders. Jensen (1986) clarified that while the use of debt can mitigate agency conflicts through managerial discipline, excessive debt levels may instead trigger new conflicts with creditors. When a company continues to distribute dividends despite high leverage, creditors may view this action as a reduction in the collateral securing debt repayment, thereby heightening the market's perception of the company's risk.

These research findings are supported by empirical evidence from various prior studies. Sari and Wirajaya (2017) demonstrated that high debt levels can diminish the effectiveness of dividend policy in enhancing firm value. Prastuti and Sudiarta (2016) also noted that companies implementing high dividend policies alongside significant debt usage tend to face a decline in investor confidence. Furthermore, Husain and Sunardi (2020) found that although the dividend payout ratio (DPR) positively influences firm value, this effect becomes suboptimal when the company carries high leverage. Additionally, Margono and Gantino (2021) emphasized that capital structure plays a crucial role in shaping market responses and perceptions regarding a company's dividend policy.

The results of this study confirm that capital structure (measured by Debt-to-Equity Ratio, or DER) is a pivotal factor in determining the effectiveness of dividend policy (measured by Dividend Payout Ratio, or DPR) in enhancing firm value (measured by Price-to-Book Value, or PBV). This empirical evidence indicates that dividend distribution decisions should not be made without considering the company's debt level. Consequently, a company's success in maintaining and increasing its value depends heavily on its ability to balance dividend policy and capital structure, thereby fostering investor confidence and cultivating a positive market perception.

CONCLUSIONS AND RECOMMENDATIONS

Based on the research findings examining the impact of dividend policy on firm value—while considering the role of capital structure as a moderating variable among undervalued issuers listed on the Development Board of the Indonesian stock market during the 2021–2025 period—the following conclusions can be drawn:

1. The research results demonstrate that the Dividend Payout Ratio (DPR) has a positive and significant effect on the Price to Book Value (PBV). This finding confirms that dividend policy is a key determinant influencing the market's assessment of firm value.
2. The research results indicate that the interaction between the Dividend Payout Ratio (DPR) and the Debt to Equity Ratio (DER) has a negative and significant effect on the Price to Book Value (PBV). This finding confirms that capital structure plays a moderating role, dampening the positive impact of dividend policy on firm value. This suggests that implementing a high dividend payout policy in companies with high debt levels may erode market confidence, thereby leading to a decline in firm value.

Recommendations

1. The results of this study have significant implications for corporate management, investors, and capital market regulators. For corporate management, the study highlights that dividend policy is not merely about distributing profits to shareholders but also serves as a strategic communication tool to bolster investor confidence and enhance firm value. Consequently, companies should formulate stable dividend policies that are aligned with their financial circumstances.
2. These research findings offer relevant practical implications for corporate management, investors, and capital market regulators. For management, the results confirm that dividend policy functions not only as a means of distributing profits to shareholders but also as a strategic instrument to signal the company's

condition and prospects positively to investors. Therefore, companies need to establish dividend policies that are consistent, credible, and aligned with their financial capacity to boost investor confidence and support the enhancement of firm value.

3. The findings of this study can assist investors in making investment decisions, particularly regarding undervalued issuers listed on the Development Board of the Indonesian stock market. Investors should not focus solely on the dividend amount paid by a company; they also need to consider the company's debt and financial risks before investing.

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