

# The Interaction of Dividend Policy in Moderating the Relationship between Liquidity, Profitability, and Leverage on Firm Value

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## ABSTRACT

This study aims to examine the role of Dividend Policy in moderating the relationship between Liquidity, Profitability, and leverage on Company Value in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX). This study uses a quantitative approach with moderated regression analysis. The population in this study comprises 12 pharmaceutical companies listed on the IDX, with a sample of 6 selected through purposive sampling. Data collection was conducted using documentation methods through the company's financial reports. Data analysis included classical assumption testing, descriptive analysis, hypothesis testing, moderation regression, and coefficient of determination using Statistical Product and Services Solutions (SPSS) software. The results of the study indicate that Dividend Policy strengthens the influence of Liquidity, Profitability, and Leverage on Firm Value. The positive relationship found indicates that the higher the level of Liquidity, Profitability, and Leverage reinforced by Dividend Policy, the higher the Company Value. This finding emphasizes the importance of dividend policy in increasing investor confidence and attracting investment, thereby increasing company value. This study contributes theoretically to the understanding of the role of Dividend Policy as a moderating variable. Practically, the results of this study can be used by pharmaceutical company managers to formulate appropriate dividend policies to increase company value and to provide guidance for investors in making investment decisions.

## ABSTRAK

Penelitian ini bertujuan untuk mengkaji peran kebijakan dividen dalam memoderasi hubungan antara likuiditas, profitabilitas, dan leverage terhadap nilai perusahaan pada perusahaan farmasi yang terdaftar di Bursa Efek Indonesia (BEI). Penelitian ini menggunakan pendekatan kuantitatif dengan analisis regresi termoderasi. Populasi dalam penelitian ini terdiri dari 12 perusahaan farmasi yang terdaftar di BEI, dengan sampel sebanyak 6 perusahaan yang dipilih melalui purposive sampling. Pengumpulan data dilakukan dengan metode dokumentasi melalui laporan keuangan perusahaan. Analisis data meliputi pengujian asumsi klasik, analisis deskriptif, pengujian hipotesis, regresi moderasi, dan koefisien determinasi menggunakan perangkat lunak Statistical Product and Services Solutions (SPSS). Hasil penelitian menunjukkan bahwa kebijakan dividen memperkuat pengaruh likuiditas, profitabilitas, dan leverage terhadap nilai perusahaan. Hubungan positif yang ditemukan menunjukkan bahwa semakin tinggi tingkat likuiditas, profitabilitas, dan leverage yang diperkuat oleh kebijakan dividen, semakin tinggi pula nilai perusahaan. Temuan ini menekankan pentingnya kebijakan dividen dalam meningkatkan kepercayaan investor dan menarik investasi, sehingga meningkatkan nilai perusahaan. Penelitian ini memberikan kontribusi secara teoritis terhadap pemahaman tentang peran kebijakan dividen sebagai variabel moderasi. Secara praktis, hasil penelitian ini dapat digunakan oleh manajer perusahaan farmasi untuk merumuskan kebijakan dividen yang tepat guna meningkatkan nilai perusahaan serta memberikan panduan bagi investor dalam mengambil keputusan investasi.



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## INTRODUCTION

In an increasingly competitive business world, every company has short-term goals to maximize profits by utilizing available resources, as well as long-term goals to maximize stock prices (Pratama & Nurhayati, 2022). Achieving these goals requires implementing effective, efficient strategies amid dynamic market changes. Rapid technological developments have driven business growth in Indonesia, positively impacting economic growth from year to year (Anggraeni, 2020). The era of globalization continues to bring promising business opportunities and encourages more companies to engage in capital markets to capitalize on them. The capital market is an important instrument for increasing a company's capital and attracting investors to invest in the expectation of earning profits (Trisna & Gayatri, 2018). However, the COVID-19 pandemic, which began in Wuhan, China, in December 2019, has posed a major challenge to various business sectors worldwide. Nevertheless, the pharmaceutical sector is considered one of the sectors that has been able to survive and even thrive during this pandemic. Pharmaceutical companies such as PT Kalbe Farma Tbk, PT Kimia Farma Tbk, PT Indofarma, and PT Amaro Global Pharma have demonstrated their important role in providing COVID-19 drugs, which have had a significant impact on their share prices (as reported by *kompas.com*). Changes in public behavior, with people becoming more concerned about health and hygiene, have also driven the development of the pharmaceutical industry, which has been considered the most profitable sector during this global outbreak (Gayetri et al., 2020).

Previous research shows that a company's value, as reflected in its share price, is a major factor investors consider before investing. A high share price indicates a high company value and potential profits for shareholders (Pratama & Nurhayati, 2022). Company value can be measured using the price-to-book value (PBV) ratio, which indicates how the market values a company's book value and reflects market confidence in its prospects (Maryana & Nurhayati, 2022). Several variables that affect company value, both theoretically and empirically, include liquidity, profitability, and leverage. Liquidity indicates a company's ability to meet its short-term obligations and is one of the indicators that can attract investors. Profitability, measured as the ratio of net income to total assets or equity, is considered an effective indicator of a company's performance and operational success (Herdiani et al., 2021). Leverage, on the other hand, refers to the extent to which a company uses debt in its capital structure and can affect the risk and expected rate of return for investors. In addition, dividend policy is also considered an important factor in attracting investors and increasing the company's sources of financing. The right dividend policy can send a positive signal to investors about the company's ability to manage its finances well (Kanta, 2021). However, decisions regarding dividend payments can be critical for companies because they can reduce retained earnings available for further business development (Nur, 2018).

Although various studies have examined the relationship among liquidity, profitability, leverage, and company value, research gaps remain in both empirical and theoretical aspects regarding the role of dividend policy as a moderating variable. Previous studies have focused more on the direct influence of liquidity, profitability, and leverage on company value without considering dividend policy as a moderating factor in these relationships (Jihadi et al., 2021; Markonah et al., 2020). In fact, dividend policy can signal a company's performance to investors and influence market perceptions of its value. Therefore, more comprehensive research is needed that not only measures the influence of liquidity, profitability, and leverage on company

value but also considers dividend policy as a moderating variable that can strengthen or weaken their effects. In addition, most previous studies remained limited to specific sectors and did not specifically examine the pharmaceutical sector, which has unique characteristics, particularly in the context of the COVID-19 pandemic.

This study is novel in that it comprehensively tests the influence of liquidity, profitability, and leverage on company value, considering dividend policy as a moderating variable, in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX). Unlike previous studies, which generally examined only the direct relationships among these variables, this study integrates dividend policy as a key factor that can strengthen or weaken the influence of liquidity, profitability, and leverage on company value. Furthermore, this study focuses on the pharmaceutical sector, which has unique characteristics and played a strategic role during the COVID-19 pandemic, thereby enabling the discovery of more relevant, contextually grounded empirical findings. The main objective of this study is to examine whether dividend policy can moderate the effects of liquidity, profitability, and leverage on company value among pharmaceutical companies listed on the IDX. Thus, this study is expected to address gaps in prior literature and offer a more comprehensive theoretical contribution. From a practical perspective, the results of this study are also expected to guide pharmaceutical company management in formulating effective dividend policies to increase company value and to serve as a reference for investors when making investment decisions.

## LITERATURE

### *Stimulus-Organism-Response Theory (S-O-R)*

Signaling Theory was first introduced by Spence (1973) to explain how parties with more information (signal senders) can reduce information asymmetry by sending signals to parties with less information (signal receivers). In the context of corporate finance, this theory is relevant because company management often has access to more complete and accurate information about the company's financial condition and prospects than investors or other stakeholders. Thus, certain actions or policies taken by the company, such as dividend policy, are considered signals that can provide an overview of the company's financial health and prospects to external parties.

Kleinert & Vismara (2024) emphasize that a company's dividend policy is a key mechanism for conveying positive signals to investors about its stability and profitability. In this case, a consistent or increasing dividend policy can be seen as a signal that the company has strong cash flows and good financial prospects. In addition, Winoto & Rudiawarni (2024) revealed that in uncertain situations, such as the COVID-19 pandemic, a dividend policy that remains in place or even increases can be a strong signal of the company's resilience and ability to maintain financial stability. However, not all signals given by companies will be well received by investors. Shahid et al. (2024) state that investors may doubt the credibility of the signals provided, especially if the dividend policy is not aligned with the company's fundamentals. In addition, AlGhazali et al. (2024) highlight that changes in dividend policy are often seen as a signal of management's expectations regarding the company's prospects. A company's dividend policy can send different signals depending on the market context and industry characteristics.

### *Dividend Policy*

Dividend policy is an important policy adopted by companies to regulate the distribution of profits to shareholders and the retention of profits for reinvestment (Rahman, 2024). This decision has significant implications for investor perception and company value, as it is considered one of the main communication tools between company management and shareholders. AlGhazali et al. (2024) emphasize that changes in dividend policy are often seen as a signal from management regarding their expectations for the company's prospects. In this context, a stable or increasing dividend policy can be viewed as a positive signal that the company has strong cash flow and the ability to generate consistent profits. Such a policy can reduce the uncertainty investors feel and strengthen their confidence in the company. In addition, Kapons et al. (2023) highlight that investors' perceptions of dividend policy can also be influenced by their level of trust in company management. Investors who have greater confidence in management tend to view dividend policy as a signal of reliability that increases company value, especially when the policy is implemented consistently and aligned with the company's long-term strategy.

Furthermore, several studies also confirm that effective dividend policies can increase company value through various mechanisms. Abdullah et al. (2025) reveal that well-implemented dividend policies can influence investor perceptions of a company's financial health, particularly in the financial sector, which is subject to various regulations and reporting standards. Optimal dividend policy arrangements are considered to add value to companies by sending positive signals about profitability and financial stability. Furthermore, Aluchna (2020) explains that dividend policy theory continues to evolve as empirical evidence shows that dividend policy can significantly influence investor perceptions and company value. In the context of signaling theory, dividends paid to shareholders can be seen as evidence that the company has adequate cash flow and is in good financial condition. In fact, research by Zaman et al. (2021) shows that dividend policy can also be influenced by corporate environmental policy, which helps build the company's reputation and value in investors' eyes. Based on these findings, it can be concluded that dividend policy not only serves as a tool for profit distribution but also as an important strategy for increasing company value through the effective management of investor perceptions.

### *Liquidity*

Liquidity is one of the main indicators used to assess a company's financial health (Ayusningtyas et al., 2024). Liquidity describes a company's ability to meet its short-term obligations using its current assets. The higher the liquidity level, the greater the company's ability to meet its maturing obligations without facing financial difficulties (Ehrhardt, 2011). Effective liquidity management is an important element in ensuring the sustainability of company operations and maintaining stakeholder confidence. As explained by Kim et al. (2021), liquidity ratios such as the Current Ratio and Quick Ratio are often used to measure a company's ability to manage current assets to meet its short-term obligations. These indicators not only reflect the company's capacity to meet maturing obligations but also provide flexibility to respond to emerging investment opportunities. Katrancı et al. (2025) emphasize that an optimal liquidity ratio can be a positive sign for investors, as it indicates the company's ability to manage cash flow and maintain financial stability. This is important because companies with strong

liquidity are better able to meet their obligations without sacrificing long-term assets or disrupting their operations.

Excessive liquidity can also indicate that the company is not managing its assets efficiently. When too many current assets are not being used productively, this can reduce the company's profitability and ultimately reduce its value. According to Al-Shattarat et al. (2023), suboptimal use of liquidity can create long-term financial problems that are detrimental to the company. Therefore, there needs to be a balance between maintaining sufficient liquidity to meet short-term obligations and optimizing current assets to support the company's productivity and profitability. Research conducted by Katrancı et al. (2025) also shows that well-managed liquidity can be an important factor in increasing Enterprise Value, especially when integrated with other financial policies such as dividend policy. When a company manages liquidity well, it sends a positive signal to investors about its financial stability and future growth prospects. In this context, effective liquidity management is not only aimed at keeping the company's operations running, but also at creating sustainable added value for shareholders.

### *Profitability*

Profitability is an important element of financial management, measuring a company's ability to generate profits from its operations over a given period (Ajeng et al., 2023). In this context, profitability reflects how effectively a company manages its assets, equity, and liabilities to generate profits. Several ratios commonly used to measure profitability include Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). The use of these ratios allows researchers and practitioners to assess a company's financial performance and its ability to generate profits from its investments (AlGhazali et al., 2024). According to Winoto & Rudiawarni (2024), high profitability indicates that a company can manage its resources efficiently, ultimately creating added value for shareholders. In addition, research by de Souza Junior et al. (2024) shows that strong profitability not only reflects a company's financial strength but also plays an important role in determining effective dividend policies. In this study, profitability is considered an independent variable that affects company value through profit management mechanisms and appropriate profit distribution strategies.

In line with Signaling Theory, high profitability is often considered a positive signal to investors about a company's ability to manage resources and generate profits. According to research conducted by Kulchania (2023), companies with higher productivity levels tend to pay larger dividends and repurchase shares more frequently. This signals to investors that the company has good financial prospects. In this context, optimal profitability can play a major role in shaping company value by giving investors confidence in the company's future financial prospects. Research by Arhinful et al. (2024) also emphasizes that optimal profitability is an important factor in determining effective dividend payment policies, which in turn can influence investors' perceptions of company value. Therefore, this study places profitability as one of the independent variables that plays an important role in increasing company value. In addition, how companies manage their profitability through appropriate dividend policies can be the key to creating sustainable added value for shareholders. This indicates that an effective profitability management strategy, integrated with an optimal dividend policy, can increase investor confidence and raise the company's overall value.

## *Leverage*

Leverage is a fundamental concept in financial management that describes the use of debt by companies to finance business operations and investments in the hope of increasing profits. The concept of leverage refers to the use of external resources, such as debt, to finance operations or investments to maximize profits. According to Kang & Baek (2024), the appropriate use of leverage can increase a company's return on equity (ROE) when the returns on investment exceed the cost of debt. Commonly used ratios to measure leverage include the Debt-to-Equity Ratio (DER), Debt-to-Asset Ratio (DAR), and Interest Coverage Ratio (ICR), which measure the extent to which a company relies on debt in its capital structure. Research conducted by Odhiambo et al. (2025) reveals that high leverage can reduce financial performance if the company is unable to manage its debt obligations effectively. This shows that although leverage can provide economic benefits, such as increased profits, suboptimal use of debt can pose significant financial risks.

Appropriate use of leverage can send a positive signal to investors regarding the company's ability to manage debt and generate profits. Research conducted by Arhinful et al. (2024) shows that lower debt costs tend to increase dividend policies and company value. However, excessive leverage can pose significant financial risks, especially if the company is unable to meet its interest and principal payment obligations (Kasasbeh, 2021). High leverage often signals to investors a lack of financial stability, which can ultimately reduce the company's value. Furthermore, Doshi et al. (2019) found that high leverage can positively affect equity returns, but this relationship is highly dependent on market risk and other external factors. Therefore, companies need to balance optimal leverage with the associated risks. An effective leverage management strategy is necessary to ensure that the use of debt can add value to the company without posing excessive risk.

## **RESEARCH METHODS**

The research design used in this study is quantitative research that aims to test the causal relationship between independent variables consisting of Liquidity, Profitability, and Leverage on Company Value, with Dividend Policy as a moderating variable. Quantitative research was chosen because it can provide an objective picture through systematic and measurable statistical analysis. The population in this study comprises all pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during the research period, namely 12 companies. From this population, the researcher used purposive sampling to select 6 companies that met specific criteria aligned with the research objectives. This sampling was based on predetermined criteria to obtain representative data. The data collection technique used in this study was the documentation method, in which the researcher collected secondary data obtained from the annual financial reports of pharmaceutical companies listed on the IDX. The data collected included Liquidity, Profitability, Leverage, Company Value, and Dividend Policy values. Data analysis was carried out in several stages, including Descriptive Analysis, Moderated Regression Analysis, Classical Assumption Test, Hypothesis Test, and Determination Coefficient. Data processing was performed using Statistical Product and Services Solutions (SPSS) software. The moderated regression analysis was used to identify the effects of the independent variables on the dependent variables, with dividend policy as the moderating variable.

## RESULTS AND DISCUSSION

### Results

**Table 1** Descriptive Statistics

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Liquidity (CR)	18	1.89	4.45	3.0860	.80080
Profitability (ROA)	18	.04	.31	.1361	.07816
Leverage (DER)	18	.16	.89	.4395	.22862
Company Value (PBV)	18	1.37	30.17	8.7642	8.35024
Dividend Policy (DPR)	18	.04	3.45	.7724	.83600
Valid N (listwise)	18				

**Source:** Processed secondary data, 2024

Based on the calculations in Table 1, the number of data points,  $n$ , for each variable is 6, corresponding to the 6 manufacturing companies.

- Liquidity (current ratio) as an independent variable has a minimum value of 1.89 found in SOHO in 2020 and a maximum value of 4.45 found in KLBF in 2021. The liquidity variable has a mean (average) value of 3.0860 and a standard deviation of 0.80080.
- Profitability (ROA) as an independent variable has a minimum value of 0.04 found in SOHO in 2020 and a maximum value of 0.31 found in SIDO in 2021. The profitability variable has a mean (average) value of 0.1361 and a standard deviation of 0.07816.
- Liquidity (DER) as an independent variable has a minimum value of 0.16 found in the SIDO company in 2022 and a maximum value of 0.89 found in the SOHO company in 2020. The liquidity variable has a mean (average) value of 3.0860 and a standard deviation of 0.22862.
- The Company Value (PBV) in this study, which is a dependent variable, has a minimum value of 1.37 found in the DVLA company in 2020 and a maximum value of 30.17 found in the MEREK company in 2021. The Company Value variable has a mean (average) value of 8.7642 and a standard deviation value of 8.35024.
- Dividend Policy (DPR) as a moderating variable has a minimum value of 0.04 found in the SOHO company in 2021 and a maximum value of 3.45 found in the MEREK company in 2021. The Dividend Policy variable has a mean (average) value of 0.7724 and a standard deviation of 0.83600.

#### Normality Test and Multicollinearity Test

The normality test conducted using the Kolmogorov-Smirnov method shows a significance value (Asymp. Sig. 2-tailed) of 0.200 and a Kolmogorov-Smirnov Test Statistic of 0.157. Based on the criterion that data are considered normally distributed if the significance value ( $p$ -value) is  $> 0.05$ , the results of this test indicate that the regression model used in this study is normally distributed. Therefore, the normality assumption in this study has been fulfilled.

**Table 2** Results of Normality and Multicollinearity Tests

Kolmogorov-Smirnov Test	Value	Multikolinearitas	Variable	Value
Normal Parameters (Mean)	8.7642300	Collinearity Statistics (Tolerance)	Liquidity	0.121
Normal Parameters (Std. Deviation)	4.68218598	Collinearity Statistics (VIF)	Liquidity	8.280
Most Extreme Differences (Absolute)	0.157	Collinearity Statistics (Tolerance)	Profitability	0.624
Most Extreme Differences (Positive)	0.121	Collinearity Statistics (VIF)	Profitability	1.602
Most Extreme Differences (Negative)	-0.157	Collinearity Statistics (Tolerance)	Leverage	0.121
Test Statistic	0.157	Collinearity Statistics (VIF)	Leverage	8.296
Asymp. Sig. (2-tailed)	0.200	-	-	-

**Source:** Processed secondary data, 2024

The results of the multicollinearity test presented in Table 2 show that the independent variables consisting of Liquidity, Profitability, and Leverage have a Tolerance value above 0.1 and a VIF (Variance Inflation Factor) value of less than 10. In detail, the Liquidity variable has a Tolerance of 0.121 and a VIF of 8.280; Profitability has a Tolerance of 0.624 and a VIF of 1.602; and Leverage has a Tolerance of 0.121 and a VIF of 8.296. Based on these results, it can be concluded that there is no multicollinearity in the regression model.

**Table 3** Results of the Coefficient of Determination Test (R<sup>2</sup>)

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
Without Moderation	0.561	0.314	0.168	7.61887
With Moderation	0.971	0.942	0.902	2.61254

**Source:** Processed secondary data, 2024

Based on Table 3, in the model without moderation, the R value obtained was 0.561, which indicates that the relationship between the independent variables, namely Liquidity, Profitability, and Leverage, and the dependent variable, Company Value, is in the strong category. This is in accordance with the definition that an R value between 0.500 and 0.800 indicates a strong relationship. The R Square value of 0.314 (31.4%) indicates that the Company Value variable is explained by the Liquidity, Profitability, and Leverage variables to 31.4%. In comparison, the remaining 68.6% is explained by other variables not included in this research model. Thus, the model without moderation has limited predictive power.

Meanwhile, in the moderated model that includes Dividend Policy as a moderating variable, the R value increases significantly to 0.971. This value indicates that the relationship between the independent variables (Liquidity, Profitability, and Leverage) and the dependent variable (Company Value) becomes very strong after being influenced by Dividend Policy. This indicates that Dividend Policy plays a significant role in strengthening the relationship between the independent variables and the dependent variable. The R Square value of 0.942 (94.2%)

indicates that the variables Liquidity, Profitability, Leverage, and Dividend Policy, as moderating variables, explain 94.2% of the variation in Firm Value. The remaining 5.8% is explained by other variables not included in this model.

*Regression Equation Model Testing*

**Table 6 Regression Equation Model Test Results**

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	33.934	30.186			1.124	.280
	Liquidity	-8.624	6.640	-.827		-1.299	.215
	Profitability	68.293	29.926	.639		2.282	.039
	Leverage	-17.871	23.280	-.489		-.768	.455

a. Dependent Variable: Firm Value

**Source:** *Processed secondary data, 2024*

Based on Table 6, the regression equation formed in this regression test is:

$$Y = 101.086 + 33.934X1M + 140.237X2M + 180.601X3M$$

The constant value of the equation is 101.086. This value can be interpreted as indicating that, with 101.086 as the moderating variable, Liquidity, Profitability, and Leverage are set to 0, so the Company Value is 101.086.

- The coefficient value for the Liquidity variable is 33.934 and is positive. This means that with Dividend Policy as a moderating variable, the effect of the independent variable on the dependent variable is unidirectional. This can be interpreted to mean that if Liquidity increases by 33%, Dividend Policy will increase by 33.934, assuming other independent variables remain constant.
- The better the liquidity, the higher the company value with Dividend Policy as a moderating variable. The coefficient value for the Profitability variable is 140.237 and is positive. This means that with Dividend Policy as a moderating variable, the effect of the independent variable on the dependent variable is unidirectional.
- This can be interpreted as meaning that if Profitability increases by 140%, the Dividend Policy will increase by 140.237, assuming other independent variables remain constant. The better the Profitability, the higher the Company Value with the Dividend Policy as a moderating variable.
- The coefficient value for the Leverage variable is 180.601 and is positive. This means that with Dividend Policy as a moderating variable, the effect of the independent variable on the dependent variable is unidirectional. This can be interpreted as meaning that if Leverage increases by 180%, Dividend Policy will increase by 180.601, assuming that other independent variables remain constant. The better the Leverage, the higher the Company Value with Dividend Policy as a moderating variable.

**Table 7** Hypothesis Test Results After Moderation

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	101.086	21.157		4.778	.001
Liquidity*Dividend Policy	33.934	11.928	9.937	2.845	.017
Profitability*Dividend Policy	140.237	35.055	3.038	4.000	.003
Leverage*Dividend Policy	180.601	50.042	8.777	3.609	.005

a. Dependent Variable: Firm Value

**Source:** Processed secondary data, 2024

Using t-test statistics for liquidity, profitability, and independent leverage, we can partially determine their effects on company value, moderated by dividend policy.

#### First Hypothesis Testing (H1)

The coefficient for  $X1*M$  is 33.934, and the significance level is  $0.017 < 0.05$ , indicating that Dividend Policy, as a moderating variable, strengthens the positive and significant effect of Liquidity on Company Value. Thus, it can be concluded that the formulated hypothesis 1 is accepted.

#### Second Hypothesis Testing (H2)

The coefficient value of  $X2*M$  is 140.237, and the significance value is  $0.003 < 0.05$ , indicating that the existence of Dividend Policy as a moderating variable can strengthen the positive and significant effect of Profitability on Company Value. Thus, it can be concluded that the formulated hypothesis 2 is accepted.

#### Third Hypothesis Testing (H3)

The coefficient for  $X3*M$  is 180.601, and the significance level is  $0.005 < 0.05$ , indicating that Dividend Policy, as a moderating variable, strengthens the positive and significant effect of Leverage on Company Value. Thus, it can be concluded that the formulated hypothesis 3 is accepted.

### Discussion

*Dividend Policy (DPR) can strengthen the influence of Liquidity (Current Ratio) on Company Value.*

The results of this study indicate that Dividend Policy (DPR) plays a significant role in strengthening the influence of Liquidity (Current Ratio) on Firm Value. The results of the tests conducted indicate that the proposed hypothesis can be accepted, meaning that Dividend Policy strengthens the relationship between Liquidity and Company Value. This positive relationship indicates that the higher the level of Liquidity strengthened by Dividend Policy, the higher the Company Value will be. This finding confirms that companies with strong liquidity are better able to meet their short-term obligations. In addition, when companies distribute dividends to shareholders from available cash, it can create a positive perception among investors that the company is in a stable financial position and capable of generating adequate profits.

Theoretically, high liquidity indicates sufficient cash to meet short-term obligations. This adequate cash is not only useful for company operations but can also be distributed to shareholders as dividends. This concept is supported by the liquidity theory, which states that companies with higher liquidity levels are better able to meet obligations and improve shareholder welfare. When a company can pay dividends consistently, it can increase investor confidence and the company's value. Winingsih (2017) states that an element of liquidity is cash available for distribution to shareholders as dividends. In other words, cash that comes out in the form of dividends can increase a company's liquidity, as it demonstrates the company's ability to meet its obligations to its shareholders.

The results of this study are also supported by previous research conducted by Kamal & Widjaja (2019). In their study, it was found that dividend policy can strengthen the relationship between liquidity and company value. This shows that companies with high liquidity that consistently pay dividends to shareholders will send a positive signal to investors regarding the company's financial health. In addition, research by Prasetya & Musdholifah (2023) found that Dividend Policy, used as a moderating variable, can strengthen the relationship between liquidity and company value. According to them, liquidity, expressed as free cash flow, will create prosperity for investors when distributed as cash dividends. Thus, distributing cash dividends from the company's free cash flow will increase shareholders' welfare, which in turn will positively impact the company's value.

*Dividend policy (DPR) can strengthen the influence of profitability (ROA) on company value.*

The results of this study indicate that Dividend Policy (DPR) can strengthen the influence of Profitability (ROA) on Company Value. The hypothesis test showed that the proposed hypothesis can be accepted. The positive relationship found indicates that the higher the level of Profitability strengthened by Dividend Policy, the higher the Company Value will be. This signifies that companies that manage their profitability well and are supported by appropriate dividend policies will have a positive impact on company value. High profitability indicates that companies can generate significant profits from their operations, which in turn signals to investors the sustainability of their strong performance.

Theoretically, profitability is the main indicator of a company's success in managing its resources effectively and efficiently. The higher the profitability, the better the company's performance in utilizing available assets and capital to generate profits. If a company maintains a high level of profitability, it indicates that the company can generate profits from its business activities. Thus, companies with high profitability are considered to have bright prospects and are more attractive to investors. An increase in profitability, followed by an optimal dividend policy, sends a positive signal to the market that the company is performing well and can deliver sustainable profits for shareholders. This is in line with signaling theory, which holds that consistent, increasing dividend distributions can be a positive signal of the company's future financial prospects. When a company decides to distribute a sufficient amount of dividends, investors will consider the company to have high profitability and stable financial conditions.

The results of this study are also consistent with previous research by Maulana (2019), which found that dividend policy can moderate the relationship between profitability and company value. These findings indicate that appropriately implemented dividend policies can strengthen the positive influence of profitability on company value. In addition, research by

Pratama & Nurhayati (2022) shows that dividend policy can significantly moderate the relationship between profitability and company value. According to them, when profitability and dividend policy are managed optimally, companies can demonstrate good performance, thereby attracting investors and increasing company value. A good dividend policy is considered to send a positive signal to the market about the company's financial stability and future growth prospects.

*Dividend Policy (DPR) can strengthen the influence of Leverage (DER) on company value.*

The results of this study indicate that Dividend Policy (DPR) can strengthen the influence of Leverage (DER) on Company Value. The hypothesis testing conducted successfully confirmed that Dividend Policy strengthens the positive relationship between Leverage and Company Value. This means that the higher the level of Leverage reinforced by Dividend Policy, the higher the Company Value will be. This indicates that companies that manage their debt levels well and implement appropriate dividend policies will positively impact company value. Companies that effectively manage leverage can use debt to secure productive capital, thereby delivering optimal results for shareholders.

From a signaling theory perspective, dividend distribution is considered a means of sending a positive signal to investors regarding the company's financial prospects and stability. When a highly leveraged company is still able to pay dividends to shareholders, it indicates that the company has a strong ability to manage its obligations. When assessing dividend distribution, investors will determine whether the company has sufficient earnings to manage its debt burden while still providing benefits to shareholders. Furthermore, signaling theory explains that dividend distribution can reduce investor uncertainty because companies that distribute dividends are often perceived as having better financial prospects than those that do not.

The findings of this study are in line with research conducted by Arifin & Fitriana (2025), which shows that dividend policy can significantly moderate the relationship between leverage and company value. These results are also supported by research by Pratama & Nurhayati (2022), which concludes that dividend policy can strengthen the effect of leverage on company value. According to them, when a company's high leverage is managed with the right dividend policy, investors tend to have greater confidence in the company. This is due to the belief that the company can manage its debt well and still provide benefits to shareholders through dividend payments. Thus, investors who are interested in investing capital in the company will increase demand for shares, which will positively impact the company's value.

## CONCLUSION

This study was conducted to determine how cultural factors, pricing strategies, and the firm's role affect its performance. This study aims to examine the moderating role of Dividend Policy (DPR) in strengthening the relationship between Liquidity (CR), Profitability (ROA), and Leverage (DER) on Firm Value. The results show that Dividend Policy positively strengthens the influence of Liquidity, Profitability, and Leverage on Firm Value. This indicates that higher levels of these financial indicators, when supported by an effective Dividend Policy, contribute to increased Firm Value. Each of these variables, when moderated by Dividend Policy, shows a

positive relationship with Firm Value, suggesting that dividend distribution can play an important role in improving investor perception and increasing company valuation.

The originality of this research lies in its comprehensive study of the interaction between Dividend Policy and financial performance indicators (Liquidity, Profitability, and Leverage) on Company Value in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX). From a theoretical perspective, this study contributes to the ongoing discussion on the importance of Dividend Policy as a moderating variable in corporate finance research. Practically, the results of this study provide valuable insights for managers to develop strategic dividend policies that can increase company value through increased profitability and good financial management. In addition, investors can consider companies with strong profitability and appropriate dividend policies as more attractive investment opportunities.

Despite its significant contributions, this study has several limitations that point to directions for further research. First, this study is limited to pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during a specific period, which may limit the generalization of the research findings. Furthermore, this study considers only Dividend Policy as a moderating variable, while other potential moderators, such as corporate governance, market conditions, or company size, are not explored. Future researchers are advised to examine these factors using different industries, samples, and time frames to provide broader generalizations and deeper insights. Expanding the scope of moderating variables and applying similar studies to various sectors will increase the strength and relevance of this study's findings.

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