

THE EFFECT OF CAPITAL STRUCTURE, COMPANY GROWTH, AND PROFITABILITY ON FIRM VALUE WITH DIVIDEND POLICY AS A MODERATING VARIABLE

Salsabila Vidyawati¹ Anak Agung Gede Suarjaya²

¹ Faculty of Economics and Business, Udayana University
Email: salsabilavidyawati123@gmail.com

² Faculty of Economics and Business, Udayana University

* Corresponding Author : Salsabila Vidyawati

Abstract

Firm value in the capital market is reflected in stock prices, which represent investors' perceptions of a company's success and performance. This study aims to examine the effect of capital structure, company growth, and profitability on firm value, as well as the moderating role of dividend policy. The data used are secondary data in the form of financial statements of manufacturing sector companies obtained from the official website of the Indonesia Stock Exchange (www.idx.com) for the 2021–2023 period. Out of 65 companies, 56 were selected as samples using simple random sampling. The analytical method employed is Moderated Regression Analysis (MRA). The results indicate that capital structure has a negative and significant effect on firm value, company growth has a positive and significant effect, and profitability has a negative and significant effect. Furthermore, dividend policy is found to strengthen the influence of capital structure and profitability on firm value, while weakening the effect of company growth on firm value. These findings highlight the importance of effective capital structure management, growth strategies, and appropriate dividend policies in enhancing firm value from the investors' perspective.

Keywords: Firm Value, Capital Structure, Company Growth, Profitability, Dividend Policy.

INTRODUCTION

Increasingly competitive business environments require companies to secure funding to support business expansion, one of which is through issuing shares in the capital market. As regulated in Law No. 8 of 1995, the capital market in Indonesia includes public offerings, securities trading, as well as the activities of public companies and related institutions. The Indonesian capital market has shown significant progress, with the number of stock investors reaching 10.31 million by the end of 2022 and 825 emitters listed on the Indonesia Stock Exchange (IDX), reflecting growth from the previous year. This situation reflects the intense competition in attracting investors, prompting companies to enhance their firm value in order to maximize profits and shareholder wealth.

Firm value is reflected in stock prices, which indicate management efficiency and investors' perceptions of a company's performance and future prospects. High firm value is desirable as it represents the potential prosperity of shareholders in the future. Therefore, sufficient funding becomes crucial to support a company's performance in maintaining its competitiveness. Company performance is reflected in financial statements, which serve as a signal to investors—positive signals tend to