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The Effect of Profitability, Growth, Dividend Policy on Firm Value with Capital Structure as a Moderation in Financial Sector Companies *Listing* on The Indonesia Stock Exchange (IDX) in 2019 – 2023

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ABSTRACT

This study aims to examine the effect of profitability, firm growth, and dividend policy on firm value, with capital structure as a moderating variable in financial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The research employs multiple linear regression analysis with a sample of 182 observations selected through purposive sampling. The results show that firm growth and dividend policy have a significant effect on firm value, while profitability does not show a significant effect. Furthermore, capital structure is proven to moderate the relationship between profitability and firm growth on firm value, but it fails to moderate the effect of dividend policy on firm value. the comprehensive testing of capital structure as a moderating variable in the relationship between profitability, firm growth, and dividend policy on firm value within the financial sector in Indonesia—an area that has received limited attention in previous studies. The results of this study can serve as a valuable reference for company managers in formulating optimal financial policies to enhance firm value. Furthermore, the findings provide useful insights for investors in evaluating key factors such as dividend policy, capital structure, and firm growth when making investment decisions

ARTICLE INFO

Keywords:
Firm value, Profitability, Growth, Dividend Policy, Capital Structure, Financial Sector.

1. Introduction

The current economic situation has created a tight competition between companies in the industry. Competition makes each company improve its performance so that its goals can still be achieved. Company value is very important because it reflects the performance and welfare of owners and shareholders. The welfare of owners or shareholders can be seen from the stock price. The higher the stock price, the better the financial condition of the stakeholders in the company, (Robiyanto et

al., 2020). Paramitasari & Sutrisno (2019) in (Milzam et al., 2024) Investors generally pay attention to variables related to stock value to evaluate profitability performance. This is due to the fact that increased profitability is usually followed by an increase in dividends received.

Investors' assessment of a company is not only influenced by the decisions taken, but also by how much profit is generated. This profit is known as profitability. High investor interest in buying company shares increases the demand for shares in the market, which can drive up stock prices (Hasnawati & Faisol, 2021). (Sulistiyo & Yuliana, 2019) This increase in stock prices not only increases the company's market value, but also increases the positive perception of the company as a whole, both in the eyes of new and existing investors. In addition, the company's performance is reflected in the level of profitability, because profitability is related to how the company manages its assets, which is ultimately seen from the profits generated.

The company's growth variables are in line with *signaling theory,* which states that a company has the motivation to provide guidance to investors in the form of financial reports that are reliable and of high quality so that there is no misalignment of information from the agent or principal (Nurhaliza & Azizah*, 2023). A company that experiences continuous periodic increases and is able to maintain its business position in economic and industrial developments is considered capable of increasing growth in its operations every year (Selvi & Ita, 2023). The growth of the company will be considered positive by investors so that the stock price will increase and the profits obtained by the company will be higher, so the returns expected by investors will be greater (Siregar & Dewi, 2022).

The company's value is seen from the company's ability to pay dividends. High dividend payments provide a signal to investors and affect the increase in the company's value, when dividend payments are high, it will affect the increase in stock prices which will have an impact on increasing the company's value (Selvi & Ita, 2023).

According to Husna & Rahayu (2019) Dividend policy can be defined as a decision regarding whether the profits obtained by the company will be distributed to shareholders in the form of dividends or saved as an investment for the future. (Pangaribuan et al., 2019) in (Mahirun et al., 2023) dividend policy is a positive signal for the company in the future where it is something that attracts investors to buy the company's shares because if dividends are paid, it can increase the stock price and in turn the company's value will be high.

Capital structure theory explains the company's operational funding policy to achieve a balance between debt and equity in order to maximize the company's value. If the company's debt is greater than equity, the risk faced by investors will also increase, but the return in the form of dividends can also be greater (Yusmaniarti et al., 2023). (Fauziah & Sudiyatno, 2020) in the trade-off theory, debt issuance results in low agency costs and bankruptcy costs. But it raises interest expenses from debt. This causes the company's value to increase. If the manager believes that the business prospects will be good with debt, then the manager can communicate to investors. This is a good signal, so it can increase the value of the company.

In dividend policy, financial services companies can adjust their approach to meet shareholder expectations, maintain financial stability, and drive long-term growth. Some companies have begun to link dividends to annual financial performance to provide flexibility. The impact is that investors are starting to be interested and understand the correlation between performance and returns. Thus, a strategy for implementing a progressive dividend policy is formed with a payout ratio that increases along with increasing profits.

2. Literature Review

Signaling theory

Signaling theory is usually said to be a step taken by company management aimed at investors regarding the management's perspective on the company's future prospects (Brigham, Eugene, & Houston, 2013) in (Wulanningsih & Agustin, 2020). According to (Wulandari et al., 2023) the company's value can be increased if information asymmetry can be reduced, information accuracy, completeness, timeliness, and relevant information will be analytical tools used by investors in the capital market to assess the condition of the company. (Tandrio & Handoyo, 2023) The results of this study are consistent with signaling theory, which states that high profitability indicates good company prospects, leading investors to respond positively and resulting in an increase in firm value.

Trade off theory

Trade-off theoryexplains that the optimization of the debt ratio is determined by the trade-off between the advantages and disadvantages of borrowing, asset investment, and corporate investment planning (Wulandari et al., 2023). According to (Fahmi, 2014) in (Rahmawati et al., 2023) Trade off theory was initiated by Myers (1984). Myers stated that to achieve the optimal capital structure, the company must be able to combine a balance of trade off between benefits or returns and risks or costs faced so as to maximize the value of the company.

Price to book value

The company's value reflects the present value of future free cash flow at a discount rate according to the weighted average cost of capital, usually the proxy used to measure the company's value isPice Book Value (PBV) (Hamdani et al., 2022). According to (Nurhaliza & Azizah, 2023) The indicator of company value is stock price. The higher the stock price, the higher the value of the company. (Indro Purnomo & Hwihanus, 2024) The concept of company value can be characterized as an assessment achieved by a commercial entity, which reflects the level of public trust and confidence in the organization. Stock prices are positively correlated.

Profitability

The profitability ratio is assessed using the ROE ratio, the results of which will show the company's ability to generate profit after tax by using the company's own assets/own capital. This ratio has an important role for shareholders to find out how effective and efficient the management of their own capital is (Wulanningsih & Agustin, 2020).

Growth

Growth reflects developments that occur over time and can be seen from how the company is able to improve its financial performance, strengthen its position in the market, and face competitive challenges with existing resources (Husna & Rahayu, 2019). (Kelana & Amanah, 2020) Companies that have healthy financial conditions and smooth cash flow show good growth prospects so that this high growth provides a positive signal to shareholders, which in turn can attract the attention of potential investors to invest their capital to support the company's operations.

Devidend Policy

Dividend policy is a decision about whether the company's profits will be distributed to shareholders in the form of dividends or saved for future investment (Husna & Rahayu, 2019). (Siringo-ringo et al., 2023) said that dividend policy is the result of business activities carried out by management, which aims to generate profits by increasing operational effectiveness and managing costs efficiently. Dividend policy often uses the dividend payout ratio as a comparison between cash dividends and earnings per share (Mahirun et al., 2023).

Capital structure

Capital structure is the comparison between long-term debt and owner's equity owned by the company, with the aim of increasing productivity and increasing the company's value in the eyes of the public (Sagita et al., 2023). Companies can set optimal capital structure policies to maximize shareholder welfare. In this study, capital structure is measured using the Debt to Equity Ratio (DER), which is a ratio that compares the amount of debt to equity

Hypothesis Return on equity and Price to book value

As the company's ability to generate profits increases, the stock price will also increase. The higher this ratio, the greater the company's ability to return the investment that has been used. This allows the company to finance its investments using internal sources of funds, such as retained earnings. Therefore, information about ROE is attractive to investors and can increase the value of the company (Faidah, 2023). Several studies, such as those by (Tandrio & Handoyo, 2023) and (Mahirun et al., 2023) show a positive significant influence of profitability on firm value, while other studies, such as those by (Robiyanto et al., 2020) and (Ulya & Sunarto, 2023) which explains that without high profitability, it is difficult for a company to convey positive information to investors and attract external capital. The results of this study indicate that profitability alone is not sufficient to convince investors to increase firm value, as investors today also consider other factors that have a long-term impact on the company.

HA1 : return on equity has significant positive effect on price to book value

Hypothesis Growth and Price to book value

Growth can be interpreted as an increase in company performance as seen from the development of company assets. This will make investors more confident in the company's performance. Company growth is also related to the ability to generate greater profits, which will increase stock prices and provide greater benefits for investors. In short, company growth shows the company's ability to develop both financially and operationally, which will attract investors' attention (Siregar & Dewi, 2022). Several previous studies, such as the one conducted by (Wulanningsih & Agustin, 2020), found that firm growth has a negative effect on firm value. Similar results were also shown in the studies by (Fauziah & Sudiyatno, 2020) and (Bambu et al., 2022)), which revealed that firm growth negatively affects firm value. This is also in line with the research by (Olii et al., 2021), which demonstrated that firm growth has a negative influence on firm value.

HA2 : growth has significant negative effect on price to book value

Hypothesis Devidend payout Ratio and Price to book value

Dividend policy is a company’s decision on how to distribute net profit, either as dividends or retained earnings for future investment. Besides providing benefits to shareholders, it also signals the company’s prospects. Companies with good performance tend to pay higher dividends, attracting investors, increasing stock prices, and enhancing firm value (Yudistira et al., 2021). Several previous studies, such as the one conducted by (Wiyono et al., 2023), found that dividend policy has a significant positive effect on firm value. Similar results were also found in the studies by (Faidah, 2023) and (Wiyono et al., 2023), which showed that dividend policy positively and significantly affects firm value. Furthermore, research by (Purnama & Hamzah, 2023) also confirmed that dividend policy has a significant positive effect on firm value.

HA3 : dividend payout ratio has significant positive on price to book value.

Hypothesis Return on equity, Debt to equity ratio, and price to book value

According to trade-off theory, companies need a balance of debt and equity to optimize firm value. Using debt for profitable projects signals confidence to investors and can increase firm value. However, if profitability is low, business sustainability is at risk, and external funding may be needed. Conversely, higher profitability indicates efficient asset use and greater profits (Sagita et al., 2023). This is in line with the research by (Fauziah & Sudiyatno, 2020), which stated that capital structure moderates the effect of profitability on firm value. Similar findings were also reported by (Maghfirandito & Adiwibowo, 2022) and (Enla et al., 2024). Therefore, the proposed hypothesis is:

HA4 : *debt to equity ratio capable* to moderate *return on equity* to *price book value*

Hypothesis Growth, Debt to Equity Ratio, and price to book value

The interaction between growth rate and capital structure can lead to increased use of debt for expansion, which in turn will increase the value of the company. According to the trade-off theory, the use of debt can increase the value of the company as long as the interest cost of the debt is lower than the benefits obtained. The increase in the value of the company occurs because debt is used for expansion capital, which is expected to increase profits and, ultimately, the value of the company. This is also supported by the theory *signaling*, which states that companies with good prospects tend to choose debt to finance their expansion. This choice provides a positive signal to investors, which can lead to an increase in the company's value. (Fauziah & Sudiyatno, 2020)stated that capital structure is able to moderate the effect of firm growth on firm value. Similar findings were also reported by (Maghfirandito & Adiwibowo, 2022)and (Rianingsih et al., 2020). Therefore, the proposed hypothesis is:

HA5 : debt to equity ratio capable to moderate growth to price to book value.

Hypothesis Dividend payout ratio, Debt to equity ratio, and price to book value

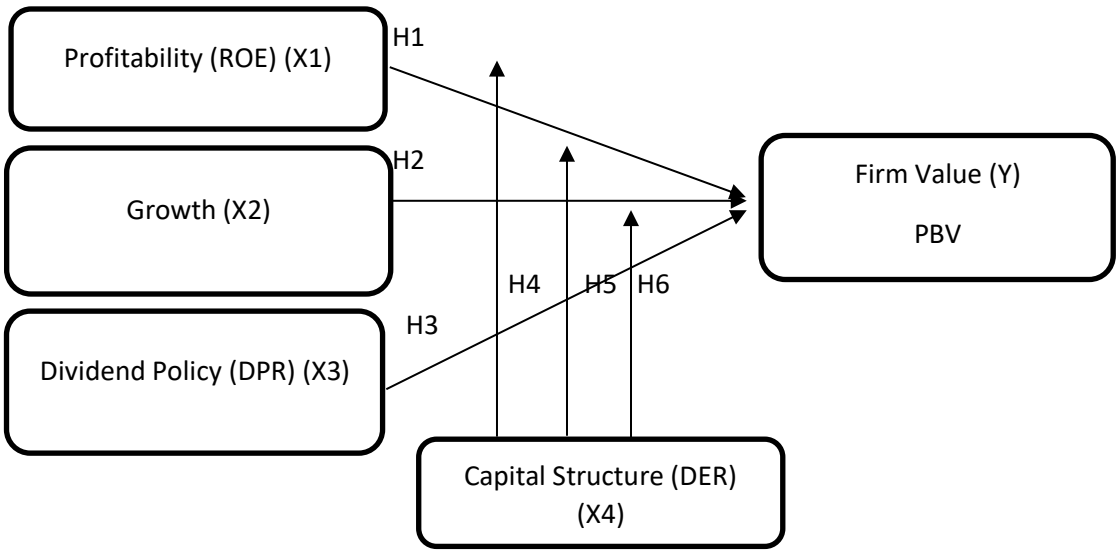
The amount of dividends distributed by the company to shareholders does not directly affect the value of the company. This is because dividend distribution does not guarantee that the company will generate large profits. The value of the company is more influenced by the company's ability to generate profits from the assets it owns and its investment policies (Husna & Rahayu, 2019). (Fauziah & Sudiyatno, 2020) stated that capital structure is able to moderate the effect of firm growth on firm value. Similar results were also found in the studies by (Maghfirandito & Adiwibowo, 2022) and (Rianingsih et al., 2020). Therefore, the proposed hypothesis is:

HA6 : *debt to equity ratio is not able to moderate the dividend payout ratio against price book value*

3. Method, Data, and Analysis

The data used in this study is secondary data in the form of documented evidence or historical reports, the secondary data is sourced from financial statements listed on the Indonesia Stock Exchange for the period 2019–2023. The sampling method used is *purposive sampling*, which aims to obtain sample data according to the criteria previously determined by the researcher. Here are some criteria that have been set for conducting sampling to meet research needs. It is a company operating in the financial sector that is listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period (1), Companies that distributed dividends during the last 5 years (2019 – 2023) (2). The focus of the research is on empirical testing of related variable integration Profitability, Growth, and dividend policy on firm value with capital structure as moderation Variable. The Model of empirical stufy is presented in figure 1 :

Figure 1. Model of Empirical



Both structure formed in figure 1 are structure states the causal relationship of variable ROE, GROWTH, DPR DER with PBV. In other words, based on both structure, there are structural equation formed :

$$Y = \alpha + \beta1.X1 + \beta2.X2 + \beta3.X3 + \beta4.X1.Z + \beta5.X2.Z + \beta6.X3.Z + e$$

where :

Y = variable dependen (firm value)
Z = Varabel Moderating (Capital Structure)
β1 = Koefisien Regresi Variabel X1 (profitability)
β2 = Koefisien Regresi Variabel X2 (Growth)
β3 = Koefisien Regresi Variabel X3 (dividend policy)
X1 = Profitability
X2 = Growth
X3 = Dividend policy
α = Konstanta
β4 (X1.Z) = koefisien regresi for interaction X1 dan moderation
β5(X2.Z) = koefisien regresi for interaction X2 dan moderation
β6 (X3.Z) = koefisien regresi for interaction X3 dan moderation
e = erer presentation (eror)

4. Result and Discussion

Descriptive Statistic

The results of descriptive statistic test, which include maximum value, minimum value, mean value, and standard deviation value, are presented in Table 1.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	182	-49.19	67.37	10.7756	10.58433
GROWTH	182	-00.35	1.09	0.0734	0.18966
DPR	182	00.19	1055.00	82.8043	145.50165
DER	182	00.01	4.74	0.7884	0.86224
PBV	182	00.24	9.68	1.4902	1.46750
Valid N (listwise)	182				

Based on Table 1, the ROE of companies in the sample ranges from a minimum of -49.19% to a maximum of 67.37%. The average ROE is 10.78%, meaning that for every Rp100 of equity, the company generates about Rp10.78 in profit. A negative value indicates that some companies, like BBYB in 2021, experienced significant losses. On the other hand, the highest ROE, shown by PALM in 2020, reflects very efficient use of capital. Since the standard deviation is nearly equal to the average, it suggests that ROE data is quite varied—some companies earned high profits, while others suffered major losses.

Based on Table 1, company growth among the 182 samples ranges from -0.35 to 1.09, with an average of 0.0734 or 7.34% per year. The lowest growth was recorded by LPGI in 2023, while the highest was by BBYB in 2021. Since the standard deviation (0.1896) is higher than the average, this indicates wide variation—some companies experienced a sharp decline of 35%, while others grew significantly up to 109%. This shows that company growth differs greatly from one to another.

Based on Table 1, the Dividend Payout Ratio (DPR) of 182 companies ranges from 0.19% to 1055%, with an average of 82.80%. The lowest DPR was recorded by BBYB in 2021, and the highest by ADMF in 2020. This means some companies paid dividends far beyond their current profits—likely using retained earnings from previous years. Since the standard deviation (145.50) is much higher than the average, it shows that dividend policies vary greatly between companies.

Based on Table 1, the Debt to Equity Ratio (DER) of 182 companies ranges from 0.01 to 4.74, with an average of 0.79. The lowest DER was recorded by ABDA in 2019, and the highest by WOMF in the same year. On average, for every Rp1 of equity, companies use Rp0.79 of debt. Some companies have almost no debt, while others rely heavily on debt—more than four times their equity. The high standard deviation (0.86) shows that capital structure varies widely between companies, indicating different levels of financial risk.

Based on Table 1 , the Price to Book Value (PBV) of 182 companies ranges from 0.24 to 9.68, with an average of 1.49. This means, on average, stock prices are 1.5 times higher than the book value. The lowest PBV was seen in ASDM in 2023, while the highest was in AMOR in 2021. A high PBV shows that the market values the company highly, while a low PBV suggests low investor interest. Since the standard deviation is nearly equal to the average, it indicates that market perceptions of company value vary greatly.

Asumsi classic Test

Normalitas test

Table 2. One sample Kolmogorov smrnov test

	Unstandardized Residual
Asymp. Sig. (2-tailed)	0,376

Source : Data processed SPSS 20, 2024

Based on the Kolmogorov-Smirnov test, a significance level of 0.376 was obtained, which is greater than > 0.05. Therefore, it can be concluded that the data is normally distributed, indicating that the regression model meets the normality assumption.

Multikolinearitas test

Table 2. Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	ROE	0,914	1,095
	GROWTH	0,937	1,068
	DPR	0,965	1,036

a. Dependent Variable: PBV
Source : Data processed SPSS 20, 2024

Based on Table 2, it can be seen that all variables have tolerance values > 0.1 and VIF values < 10. Therefore, it can be concluded that the independent variables in this study are not correlated with each other, indicating that there is no multicollinearity among the variables.

Autokorelasi Test

Table 3. Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.262[a]	0,069	0,053	0,76935	1,975

a. Predictors: (Constant), DPR, GROWTH, ROE
b. Dependent Variable: PBV_Ln
Source : Data processed SPSS 20, 2024

From the table above, the Durbin-Watson (DW) value is 1.975. This value falls between 1.536 and 2.464, indicating that there is no indication of autocorrelation in the data.

Heteroskedastisitas test

Table 4. heteroskedastisitas test

Model	Sig.
1 (constant)	0,002
ROE	0,074
GROWTH	0,085
DPR	0,497

Source : data processed SPSS20

The test results show that all independent variables have no effect on the absolute residual value (Abs_Res). The significance values of each independent variable are above 0.05, indicating that the data is free from heteroscedasticity.

Model Fit Test

Table 5. ANOVA Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7,777	3	2,592	4,380	0.005[b]
	Residual	105,357	178	0,592		
	Total	113,134	181			

a. Dependent Variable: PBV_Ln
b. Predictors: (Constant), DPR, GROWTH, ROE
Source : Data processed SPSS 20, 2024

Based on Table 5, the F-test result shows an F-value of 4.380 with a significance level of 0.005. This indicates that the regression model is appropriate for further testing, as the significance value is less than 0.05. Therefore, it can be concluded that in this study, the independent variables collectively have a positive influence on the dependent variable.

Multiple Regression Linear

Table 6. Multiple Regression Linear

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0,101	0,085		-1,183	0,239
	ROE	0,005	0,006	0,062	0,826	0,410
	GROWTH	0,799	0,312	0,192	2,565	0,011
	DPR	0,001	0,000	0,149	2,024	0,045

a. Dependent Variable: PBV_Ln
Source : Data processed SPSS 20, 2024

Based on Table 6, the multiple linear regression equation can be formulated as follows:

Y = 0.005X1 + 0.799X2 + 0.001X3 + e

Partial test

Based on Table 6, the t-test (partial test) results in this study are as follows:

1. The t-value for the Return on Equity variable is 0.826 with a significance level of 0.410, which is greater than 0.05. Therefore, hypothesis H1 is rejected, meaning that Return on Equity has no significant effect on Price to Book Value.
2. The t-value for the Growth variable is 2.565 with a significance level of 0.011, which is less than 0.05. Thus, hypothesis H2 is accepted, indicating that Growth has a significant effect on PBV.
3. The t-value for the Dividend Payout Ratio is 2.024 with a significance level of 0.045, which is less than 0.05. Therefore, hypothesis H3 is accepted, meaning there is a significant effect of DPR on PBV.

Moderating Test

Table 7. Moderating Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.569	0.196		7.987	0.000
	ROE	0.013	0.011	0.096	1.170	0.244
	DER	-0.285	0.191	-0.168	-1.494	0.137
	moderat_1	0.000	0.013	0.003	0.024	0.981

a. Dependent Variable: PBV

Source : Data processed SPSS 20, 2024

Based on the output results above, the significance value obtained is 0.981, which is greater than 0.05. This indicates that capital structure is unable to moderate the relationship between profitability and firm value. Thus, it can be concluded that capital structure actually weakens the relationship between profitability (ROE) and firm value (PBV).

Table 8.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constan)	1.573	0.152		10.371	0.000
	GROWH	2.148	0.717	0.278	2.997	0.003
	DER	-0.226	0.137	-0.133	-1.655	0.100
	moderat_2	-0.914	0.643	-0.143	-1.421	0.157

Based on the SPSS output above, the significance value obtained is 0.157, which is greater than 0.05. This indicates that DER cannot moderate the relationship between GROWTH and Price to Book Value. Thus, the test results suggest that capital structure actually weakens the relationship between GROWTH and Price to Book Value, so Hypothesis 5 is rejected

Tabel 9.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.578	0.177		8.915	0.000
	DPR	0.002	0.002	0.236	1.487	0.139
	DER	-0.280	0.140	-0.164	-1.998	0.047
	moderat_3	-0.001	0.001	-0.155	-0.925	0.356

a. Dependent Variable: PBV

Source : Data processed SPSS 20, 2024

Based on the SPSS output above, the significance value obtained is 0.356, which is greater than 0.05. This means that the debt to equity ratio is unable to moderate the relationship between the Dividend Payout Ratio and Price to Book Value. Thus, the test results indicate that capital structure actually weakens the relationship between the Dividend Payout Ratio and Price to Book Value. Therefore, Hypothesis 6 is accepted.

Discussion

The Effect return on equity on Price to Book Vaue

The research results show that Return on Equity (ROE) has a positive but not significant effect on firm value (measured by PBV). This means that even if ROE increases, it doesn't necessarily lead to a noticeable rise in the company's value. This finding contradicts the signaling theory, which suggests that higher profits signal good performance to investors. In reality, today's investors don't only focus on profits. They also consider other factors like assets, liabilities, market conditions, reputation, and goodwill. From 2019 to 2023, ROE dropped from 6.98% to 4.15%, indicating a decline in the company's ability to generate profit from its capital. Meanwhile, PBV increased from 3.35 in 2019 to its peak of 6.73 in 2021, then fell back to 3.41 in 2023. The rise in PBV may have been driven by market optimism or external factors, but the continued decline in ROE could signal business challenges, rising costs, or market changes. As a result, investor confidence weakened, causing PBV to fall as well. In conclusion, to improve firm value, management needs to focus on increasing profitability so the company remains attractive to investors.

These test results are consistent with the findings of (Robiyanto et al., 2020), (Ulya & Sunarto, 2023) dan (Rohmatulloh, 2023), (Kelana & Amanah, 2020)), who concluded that Return on Equity does not have a significant effect on Price to Book Value. However, this result is not in line with the studies conducted by (Tandrio & Handoyo, 2023), (Mahirun et al., 2023), (Wulandari et al., 2023) dan (Mandjar, Yustina Triyani, 2019)which found that Return on Equity has a positive and significant effect on Price to Book Value.

The effect Growth on Price to Book Value

The results of the study show that company growth has a positive and significant effect on firm value (PBV). This means that the higher the growth, the higher the firm's value. This supports the signaling theory, which suggests that growth sends a positive signal to investors, indicating strong future potential and attracting them with the hope of higher returns. A growing company is seen as having strong performance, better income generation, higher dividend-paying ability, and greater resilience to risks—factors that build investor confidence and increase firm value. However, the data also shows that growth and PBV don't always move together. For example, in 2021, growth reached 0.25 and PBV peaked at 6.73, reflecting strong investor appreciation. But in 2022, when growth dropped to 0.02, PBV also declined sharply to 3.47. In 2023, even though growth improved to 0.15, PBV still slightly declined—possibly due to other factors like profitability or market conditions. This suggests that growth does matter, but it is not the only factor influencing firm value. Elements like profitability and external market conditions also play an important role.

This study is supported by the findings of (Silalahi & SIHOTANG, 2021), (Husna & Rahayu, 2019), (Nurhaliza & Azizah*, 2023) (Selvi & Ita, 2023) who stated that growth has a positive and significant effect on firm value. However, the results of this study differ from those of (Mandjar, Yustina Triyani, 2019), (Chandra & Hastuti, 2023), (Rossa et al., 2023), dan (Amelia & Anhar, 2019), who found that growth has a positive but not significant effect on firm value.

The effect Deviden Policy On Price to Book Value

The results show that the Dividend Payout Ratio (DPR) has a positive and significant effect on firm value (PBV). This means that when a company pays more dividends, its value tends to increase. This supports the signaling theory, which says that high dividend payments send a positive signal to investors that the company is in good condition and profitable. Regular dividend payments build investor trust and make the company more attractive, which can raise its stock price and PBV.

However, the data also shows that a high dividend doesn't always lead to a high PBV. For example, in 2021, the DPR was low (67) but PBV reached its peak (6.73). Meanwhile, in 2022 and 2023, when the DPR was higher, PBV actually dropped. This may be because investors preferred companies that reinvest profits for future growth. In conclusion, dividends are important, but they need to be balanced with good growth strategies to truly increase a company's value.

This finding is consistent with the results of (Mahirun et al. 2023), (Purnama & Hamzah 2023), (Dessriadi et al. 2022), and (Wicaksono et al. 2020), who stated that the Dividend Payout Ratio has a positive and significant effect on Price to Book Value.

However, it differs from the findings of (Marthen & Suwarti 2023), (Burhan & Bagana 2024), and (Setyorini & Sulhan 2023), who found that the Dividend Payout Ratio has a negative and insignificant effect on Price to Book Value.

The Moderating Effect of Debt to Equity Ratio on the Relationship Between Return on Equity and Price to Book Value

The SPSS test results show that capital structure does not moderate the effect of ROE on PBV, as indicated by a significance value of 0.981 > 0.05. This suggests that low profitability tends to result in a high Debt to Equity Ratio (DER). A high DER reflects a company's reliance on debt, which may raise investor concerns due to the increased financial risk. These findings are consistent with Sagita et al. (2023), who stated that companies with high capital structures tend to rely more on debt financing than internal operational income.

Management should not only focus on increasing profitability or rely solely on capital structure as a tool to enhance firm value. Instead, the company needs to pay more attention to other factors that can influence investor perception and improve firm value, such as operational efficiency, service innovation, good corporate governance, and long-term financial stability. In addition, companies in the financial sector need to be more prudent in managing their capital structure to avoid excessive reliance on debt, as an increase in debt has not been proven to significantly strengthen the impact of profitability on firm value.

The finding that capital structure (DER) does not moderate the relationship between profitability (ROE) and firm value (PBV) is supported by the studies of (Sagita et al. 2023), (Rianingsih et al. 2020), (Meliza et al. n.d.), and (Karin et al. 2021). However, it contradicts the findings of (Enla et al. 2024), (Fauziah & Sudiyatno 2020), and (Arsyada et al. 2022), who stated that capital structure (DER) is able to moderate the relationship between profitability (ROE) and firm value (PBV).

The moderating effect Debt to Equity Ratio on the Relationship Between Growth and price to book value

The test results show that capital structure (DER) does not moderate the effect of growth on firm value (PBV), as indicated by a significance value of 0.157 > 0.05. This suggests that the impact of company growth on firm value is not influenced by debt levels. In the financial sector, companies typically do not rely heavily on long-term debt, and high-growth firms often seek external capital to support expansion. According to the trade-off theory, this can help reduce tax burdens. However, investors tend to prioritize growth and profitability over debt levels, as high debt may increase the perceived risk of bankruptcy.

Management needs to focus on maintaining and driving company growth, both in terms of assets, revenue, and business expansion, as this has been proven to increase investor confidence and firm value. On the other hand, capital structure management must be carried out carefully, as

improper use of debt has not been proven to strengthen the impact of growth on firm value. The company should prioritize healthy and sustainable growth without relying excessively on debt.

These results are consistent with the studies by (Rianingsih et al., 2020), (Maghfirandito & Adiwibowo, 2022), (Chandra & Hastuti, 2023). However, they differ from the findings of (Fauziah & Sudiyatno, 2020) and (Rodhiyah et al., 2024) who stated that capital structure (DER) is able to moderate the effect of growth on firm value (PBV).

The Moderating Effect Debt to Equity Ratio in The Between Relationship Devidend policy and Price to Book value

The results show that capital structure (DER) does not moderate the effect of Dividend Payout Ratio (DPR) on firm value (PBV), with a significance value of 0.356 > 0.05. This indicates that debt levels do not influence the relationship between dividends and firm value. Investors generally prioritize dividend policy over a company's debt level, especially in the financial sector. Although not statistically significant, the negative coefficient suggests that high dividends combined with high debt may reduce firm value, implying that capital structure can weaken the positive effect of dividend policy.

The managerial implication of these findings is that companies need to be cautious in increasing their debt levels, as excessive debt can reduce investor confidence and decrease firm value. On the other hand, management should maintain consistency in dividend policy but should not rely solely on dividends as a tool to increase firm value. Greater focus should be placed on risk management and maintaining a healthy capital structure.

These results are consistent with the studies by (Indro Purnomo & Hwihanus, 2024), (Mispiyanti & Wicaksono, 2020), (Sriyani & Purwasih, 2022). However, they differ from the findings of (Sagita et al., 2023) dan (Rodhiyah et al., 2024) who stated that capital structure (DER) is able to moderate the effect of dividend policy (DPR) on firm value (PBV).

5. Conclusion and Suggestion

Based on the results of this study, it can be concluded that profitability does not have a significant effect on firm value. This finding indicates that the level of profits generated by financial sector companies in Indonesia during the 2019–2023 period has not been strong enough to influence market perceptions of firm value. On the other hand, firm growth has a significant negative effect on firm value, suggesting that an increase in company size or assets is not always followed by increased investor confidence and may even raise concerns regarding efficiency and financial risks. Meanwhile, dividend policy is proven to have a significant positive effect on firm value, meaning that the company's decision to distribute dividends is still seen as a positive signal by investors regarding the company's prospects and performance. In terms of the moderating role of capital structure, the results of this study show that capital structure is able to moderate the relationship between profitability and firm growth with firm value, but does not moderate the relationship between dividend policy and firm value.

This research presents a clear novelty by comprehensively examining the role of capital structure as a moderating variable in the relationship between profitability, firm growth, and dividend policy on firm value, specifically within the financial sector in Indonesia. The financial sector has distinct characteristics in terms of leverage and capital structure, which differentiate it from other industries. In addition, this study addresses research gaps from previous studies that produced inconsistent findings regarding the influence of profitability, firm growth, and dividend policy on firm value. By using the latest data up to 2023 and focusing on the financial sector, this research is expected to provide

more relevant and updated empirical evidence, while enriching the academic literature in the field of corporate finance.

Based on these findings, it is recommended that companies optimize their capital structure management, especially in relation to firm growth and profitability, to enhance market confidence and increase firm value. Moreover, companies should maintain consistency in their dividend policies, as this factor remains a major consideration for investors when assessing the company's prospects. For investors, it is important not only to focus on profitability or firm growth but also to consider the composition of capital structure as a key factor in making investment decisions. This study also opens opportunities for future research to incorporate additional variables such as good corporate governance, firm size, or liquidity, as well as conducting similar studies in other industry sectors to broaden and strengthen empirical evidence regarding the factors that influence firm value in Indonesia.

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