

The Effect of Capital Structure, Profitability, and Dividend Policy on Firm Value with Institutional Ownership as a Moderating Variable

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Abstract

By employing institutional ownership as a moderating variable, this study aims to analyze the effect of capital structure, profitability, and dividend policy on firm value in transportation and logistics businesses listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. From 2020 to 2024, a total of 38 companies were listed on the IDX; this study utilized 18 of these companies as samples. A total of 90 observations were collected over five years. This study was conducted using the Generalized Least Squares (GLS) method for Moderated Regression Analysis (MRA) utilizing multiple linear regression. Capital structure and profitability were proven to significantly affect firm value positively ($p < 0.05$), while dividend policy had no significant effect ($p > 0.05$). There was no moderating effect of institutional ownership on these relationships.

INTRODUCTION

The transportation and logistics industry is among several industries that felt the worldwide impact of the Covid-19 outbreak. Businesses in this sector have faced numerous operational and financial difficulties as a result of restrictions on public activities, supply chain disruptions, and changes in product and service distribution patterns. Given the economic uncertainty caused by the pandemic, it is essential for companies to adapt to these conditions and manage their resources efficiently to sustain operations and maintain firm value. Maintaining consistent performance is critical for organizations during tough economic times. Investors view firm value as a measure of how well a company generates wealth for its shareholders (Sudana, 2009).

As a proxy for the market's evaluation of company performance, the Price-to-Book Value (PBV) Ratio is used to estimate firm value (Sulaeman, 2020). Statistical analysis of transportation and logistics businesses listed on the Indonesia Stock Exchange from 2020 to 2024 shows massive changes in their average PBV. This indicates a difference in investor confidence regarding the companies' ability to succeed, growth expectations, and market value compared to book value. From 2020 to 2024, the following table shows firm value based on the Price to Book Value (PBV) indicator.

Table 1
Firm Value Measurement (PBV) of Transportation and Logistics Companies 2020-2024

No	Kode Saham	2020	2021	2022	2023	2024
1	AKSI	2.80	3.29	1.18	0.60	1.16
2	ASSA	1.50	6.43	1.11	1.12	0.92
3	BIRD	0.62	0.67	0.66	0.80	0.67

4	BLTA	3.29	2.83	2.08	1.46	0.52
5	CMPP	(0.68)	(0.38)	(0.30)	(0.17)	(0.10)
6	GIAA	(0.38)	-	-	(0.32)	(0.29)
7	IMJS	0.98	0.95	0.62	0.51	0.27
8	NELY	0.67	1.47	1.25	1.56	1.15
9	SAFE	(1.68)	(1.98)	(2.36)	(5.63)	(11.10)
10	SDMU	8.36	(40.74)	22.25	1.55	0.89
11	TAXI	(0.59)	6.72	8.32	8.92	1.29
12	TMAS	0.65	5.07	4.99	3.45	2.75
13	HELI	1.34	1.92	4.25	6.05	3.59
14	TRUK	1.17	1.21	0.80	0.73	0.78
15	SAPX	13.23	6.23	3.64	5.60	6.20
16	JAYA	0.72	1.33	0.73	0.75	0.61
17	KJEN	8.95	8.84	1.45	0.71	1.65
18	PPGL	1.34	0.81	0.73	0.54	0.55

Table Source: Processed by researcher (2026)

From 2020 to 2024, there were significant fluctuations in the value of transportation and logistics companies, as seen in Table 1. The Price to Book Value (PBV) ratio displays this volatility; some companies had negative PBVs and others had positive PBVs. Many businesses did not display PBV during the research period. This includes SAFE and CMNP (PT Citra Marga Nusaphala Persada Tbk). The positive PBV of PT Blue Bird Tbk (BIRD) and PT Satria Antaran Prima Tbk (SAPX) fluctuated from year to year. Furthermore, SMDR (PT Samudera Indonesia Tbk) displayed considerable volatility during the research period. The COVID-19 pandemic is said to have played a role in this situation by disrupting economic activities, altering the need for logistics and transportation services, and changing how investors view the future of companies.

A company's capital structure affects the fluctuation of its value. Having the capacity to optimize capital structure to generate more revenue increases firm value (Rohman & Fitriyah, 2024). High profit margins show that a company is doing a good job of generating profit, which is good news for investors and increases firm value (Brigham & Houston, 2018).

Dividend policy is another aspect that affects firm value. Paying dividends regularly and in substantial amounts can boost investor confidence and firm value (Siregar et al., 2023).

Along with the considerations mentioned above, institutional ownership is a key component in determining firm value. Companies and other organizations are considered institutional owners when they hold a majority of shares in a company (Rustan, 2023). Companies in today's capitalist economy prioritize stakeholders beyond just shareholders, according to stakeholder theory (Subroto & Endaryati, 2024). Management can be controlled and motivated to deliver excellent performance, leading to an increase in firm value, through enhanced supervision by institutions (Widilestariningtyas & Ahmad, 2021). Consequently, institutional ownership has both direct and indirect effects on firm value.

Previous studies have shown the effect of capital structure on firm value; some studies have shown a significant effect (Rohman & Fitriyah, 2024; Evelyne et al., 2024), while other studies yielded different results (Wardoyo & Fauziah, 2024; Burhanuddin et al., 2023). Similarly, regarding the effect of profitability on firm value, some display a significant effect (Pramono & Bustaman, 2025; Siregar et al., 2023), while other studies report different results (Win & Hasibuan, 2025; Simanjuntak et al., 2024). Furthermore, the effect of dividend policy on firm value shows a

significant effect in some research (Leptasari & Retnani, 2021; Sabatamia & Marbun, 2021), while other results show otherwise (Simanjuntak et al., 2024; Luckyardi et al., 2021).

Because of these contradictory results, more research is needed, ideally with a moderating factor such as institutional ownership.

Transportation and logistics companies listed on the Indonesia Stock Exchange (IDX) between 2020 and 2024—the years before and after the COVID-19 pandemic—are the subjects of this study. Increased operational costs, economic volatility, and the need to maintain resource management efficiency are the factors investigated in this study. Rising operational costs, economic instability, and the necessity to sustain efficient resource management were some of the difficulties faced by businesses during this period. The analysis of capital structure, profitability, and dividend policy becomes relevant in understanding their effect on firm value in this situation. Although several studies have examined how capital structure, profitability, and dividend policy affect firm value, most of these studies only examined the direct impact or how these factors are used as moderators.

This context makes it possible to formulate the research questions as follows:

1. Do capital structure, profitability, and dividend policy have implications for firm value?
2. Is institutional ownership able to moderate the effect of capital structure, profitability, and dividend policy on firm value?

This study aims to examine the impact of capital structure, profitability, and dividend policy on firm value in transportation and logistics companies from 2020 to 2024. This study will also determine whether institutional ownership can moderate these relationships. The formulation of the research problem is based on these objectives.

Literature Review

Trade-Off Theory

By considering the pros and cons of debt, businesses attempt to achieve an ideal capital structure, according to the Trade-Off Theory (Frank & Goyal, 2021). According to the trade-off theory, managers will consider things like tax savings and bankruptcy costs when they decide on the capital structure (Hanafi, 2016). According to Frank and Goyal (2021), an ideal capital structure is achieved when the projected marginal cost of financial distress equals the present value of marginal tax savings from higher debt. Companies that are highly profitable, have assets that can be used as collateral, and have consistent profits are more likely to take out loans because they are better prepared to take advantage of tax breaks and are less likely to experience financial distress, according to this argument.

Agency Theory

According to the agency theory, proposed by Jensen and Meckling in 1976, the relationship between company owners, called principals, and managers, called agents, is explained by this theory. When managers have more in-depth knowledge about the company's condition than the owners, problems arise due to information asymmetry. To reduce the possibility of errors, owners

must oversee how management carries out its duties. However, this incurs additional costs called agency costs (agency concept).

Signaling Theory

According to signaling theory, proposed by Spence in 1973, one way to bridge the knowledge gap is by sending data to the other party. According to Signaling Theory, there is a large information gap between the market and entity management (internal parties) regarding knowledge about the entity's condition and future possibilities. According to this hypothesis, management has built a signaling system to outsiders to correct this information imbalance. With the main goal of filling the information gap and shaping market views, these signals can manifest as part of financial disclosures such as earnings timeliness or other voluntary disclosure methods. Strong profitability is an indication of excellent business opportunities, according to the signaling theory underlying this study. This, in turn, encourages investors and increases firm value (Evelyne et al., 2024).

Stakeholder Theory

Companies in today's capitalist economy, according to stakeholder theory (Subroto & Endaryati, 2024), are required to consider the interests of various stakeholders, not just shareholders. To ensure the long-term survival and prosperity of a company, it is essential for businesses to provide value to all their constituents, including shareholders, creditors, workers, consumers, the state, and the surrounding environment. Because each stakeholder group can affect the achievement of organizational goals, it is very important for companies to master the art of stakeholder relationship management (Freeman, 2010). According to Donaldson and Preston (1995), a company's value and reputation increase when it effectively fulfills stakeholder interests.

Hypotheses

According to the trade-off theory, firm value can be positively influenced by adopting an optimal capital structure, which allows a company to balance the pros and cons of using debt. A company's capital structure in this study is defined as a mix of equity and debt used to fund its daily operations and long-term investments. If taken in certain amounts, debt can provide tax advantages, or tax shields, which can increase firm value. When a company has an ideal capital structure, it shows that the company can manage its funding sources well, making investors more confident in its future. On the other hand, taking on too much debt increases the likelihood of bankruptcy and other financial difficulties, which can decrease firm value.

Capital structure is positively correlated with firm value, according to empirical studies. Sanusi et al. (2022) found that interest payments tend to be non-deductible when a company has a larger amount of debt. In addition, according to Leptasari & Retnani (2021), the cost of capital increases as a business's capital structure becomes more complex, resulting in higher risks for the company in securing long-term debt.

However, research on the impact of capital structure on business value shows mixed findings. Several variables, including interest rates, company characteristics, industry variations, and macroeconomic situations, can influence these conditions. High debt levels can increase a company's financial risk in a volatile economy, which can affect how investors react to its capital structure. How capital structure affects firm value also depends on the company's ability to

generate profit and manage risk. Thus, the debt-to-equity ratio and the extent to which a company can adapt its financing strategies to changing market conditions are two of the most important factors in determining the relationship between capital structure and firm value.

H1: Capital structure has implications for firm value.

Profitability, according to agency theory (Astuti et al., 2021), is a key measure of management's competence in allocating resources so that the business generates a profit. Large profit margins show that management is doing a good job running the business, which in turn means there is less chance for a conflict of interest to arise between them and shareholders. Trust among investors can increase when they hear about the company's increased profitability (Fitriana, 2024). An increased ability of a company to pay its bills, fund its operations, and benefit its shareholders is another indication of healthy profitability.

Profitability increases firm value, according to various empirical studies. High profitability, according to Siregar et al. (2023), shows that the company is efficient and can increase its value due to its strong financial and management performance.

However, a high rate of return does not always mean a higher value. If net income shows signs of operational efficiency, stable performance, and promising future prospects for the business, then this beneficial effect will be maximized. The extent to which profitability increases firm value can vary depending on factors such as investor sentiment and specific industry trends. Thus, the ability to sustainably maintain performance and market trust, in addition to the quantity of profit, determines the relationship between profitability and firm value.

H2: Profitability has implications for firm value.

A company's dividend policy, according to signaling theory, can give investors hope for the future of the business. A solid financial position and bright future profitability are indicated by its dividend payments, which should be stable or increasing. Demand for shares and firm value can both increase if this happens, because it boosts investor confidence (Sabatamia & Marbun, 2021). Consequently, dividend policy is viewed as data that can influence how the market evaluates the overall performance and future prospects of the company. Indications that a company has enough money to pay dividends are found in research conducted by Siregar et al. (2023). According to Siregar et al. (2023), when a company distributes dividends, it shows that its finances are solid and successful, which can increase investor confidence.

Dividend policy can affect firm value in some cases, but not in others, according to a number of studies. The reason is that some shareholders are more concerned with a company's ability to grow than its ability to pay dividends. This correlation can also be influenced by variations in industry trends, profitability, and company policies on handling retained earnings. Therefore, the impact of dividend policy on firm value depends on the company's capacity to maintain financial success and future growth prospects, in addition to the amount of dividends issued.

H3: Dividend policy has implications for firm value.

From the perspective of stakeholder theory, institutional ownership can serve as a tool to encourage the implementation of more open and accountable financial policies by companies,

ultimately benefiting all parties involved. Companies with a high concentration of institutional investors are better able to keep their finances in order and increase their value due to increased oversight of capital structure choices. The relationship between capital structure and business value can be influenced by institutional ownership, according to many studies (Cahyani et al., 2024). In addition, according to a study by Nengsih (2022), institutional investors can increase market confidence in a company's financing practices by strengthening the management oversight role.

Companies with strong institutional ownership are better prepared to manage their capital structures, allowing them to optimally use debt to influence firm value. Companies can balance the risks and rewards of using debt with oversight from institutional investors. This helps ensure that financing choices better serve the interests of stakeholders. The efficiency of institutional ownership as a moderator largely depends on factors such as the amount of ownership, the quality of oversight, and the company's capacity to best manage its capital structure policies. Nevertheless, this impact is not always constant.

H4: Institutional ownership is able to moderate the relationship between capital structure and firm value.

According to stakeholder theory, institutional ownership can act as a watchdog that encourages businesses to be more responsible to their stakeholders by improving their financial performance. Because institutional shareholders often have a vested interest in managerial oversight, which ensures that decisions are made with the best interests of the company in mind, institutional ownership can influence financial performance (Suparlan et al., 2024). The relationship between profitability and business value can be influenced by institutional ownership, according to many studies (Suparlan et al., 2024). Nengsih (2022) adds that when institutional investors are present, management control becomes more effective, and the company is able to maximize profitability to increase firm value.

The favorable correlation between profitability and firm value diminishes when there is strong institutional ownership (Sunarwijaya, 2016). With many institutional investors, there is a strong financial motive to oversee management (Herdinata, 2016). Because its effectiveness is influenced by factors such as the institutional ownership share, the quality of oversight, and the company's capacity to sustainably maintain stable profitability, the moderating function of institutional ownership is not always successful.

H5: Institutional ownership is able to moderate the relationship between profitability and firm value.

When it comes to making decisions regarding dividend policy and other corporate actions, institutional investors are very important from the perspective of stakeholder theory because they encourage policies that meet stakeholder interests. Maintaining dividend distribution and generating long-term value is greatly aided by high institutional ownership, which also promotes corporate governance (Nizam & Anita, 2025). Syahputri et al. (2024) cite research showing a stronger correlation between institutional ownership, dividend policy, and business value. This is because institutional ownership is often accompanied by greater control, which in turn increases market confidence in the company's choices. Dividend payments indicate a solid financial situation

and profitability, while institutional ownership implies effective managerial control (Al Zahro and Handayani, 2025).

Having a large number of institutional investors will lead to tighter oversight, which in turn will reduce instances of managers engaging in opportunistic earnings reporting to advance their own interests (Jensen & Meckling, 1976 in Ismiati & Yuniarti, 2017). According to Ismiati and Yuniarti (2017), businesses well-supervised by institutions are more likely to be careful in making decisions. As a result, firm value can increase along with rising investor optimism about its future. Because the influence of institutional investors, internal company rules, and the company's financial health all play a role in how well institutional ownership acts as a moderating variable, its effectiveness in this regard can vary from one company to another.

H6: Institutional ownership is able to moderate the relationship between dividend policy and firm value.

[Insert Figure 2: Conceptual Framework Here]

Figure Source: Processed by researcher (2026)

METHODS

Research Model

This study uses a quantitative approach, analyzing data using EViews 12 and methods including MRA and MLR. Panel data is used for this study. Companies engaged in transportation and logistics listed on the IDX for 2020–2024 were surveyed for secondary data. Independent auditors have verified the accuracy and reliability of these financial statements. Data reliability is reinforced by compliance with relevant financial reporting requirements, and data validity is ensured by using official data released by the IDX. The data used in this study, which combines cross-sectional data (relating to companies) and time-series data (covering 2020–2024), is therefore considered authentic and reliable for empirical analysis.

Research Hypothesis Testing

Using the GLS approach for data estimation, this study applies the REM. This model was chosen because of its ability to effectively assess the impact of independent factors, moderating variables, and their interactions on financial performance, as well as its alignment with panel data features.

Sample Selection Procedure

Companies in the transportation and logistics industry listed on the Indonesia Stock Exchange (IDX) between 2020 and 2024 are the subjects of this study. A total of 18 samples were obtained from 38 companies using a purposive sampling strategy. There were a total of 90 observations during the five-year study period.

Table 2
Research Sample Criteria

Criteria	Amount
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Number of Transportation and Logistics companies listed on the Indonesia Stock Exchange for the 2024 period	38
Companies that did not publish complete financial statements during the 2020–2024 period.	(17)
Number of Company Samples	18
Observation Years during the research period	5
Total observations during the research period	90

Table Source: Processed by researcher (2026)

Operationalization of Research Variables

Firm Value (Y)

Price to Book Value (PBV) = Share Price / Book Value per Share

Price to Book Value (PBV) is the ratio between the share price and the book value of the company.

Capital Structure (X1)

Debt to Equity Ratio (DER) = Total Debts / Total Equity

Debt to Equity Ratio (DER) is a ratio that measures how large the burden of liabilities is compared to the company's operating capital (equity).

Profitability (X2)

Return On Equity (ROE) = Earnings After Tax (EAT) / Shareholder's Equity

Return On Equity (ROE) is the ratio between net income after tax and total shareholders' equity.

Dividend Policy (X3)

Dividend Payout Ratio (DPR) = Dividend per Share / Earnings per Share

Dividend Payout Ratio (DPR) is a ratio showing the result of the comparison between cash dividends per share and earnings per share.

Institutional Ownership (Z)

Institutional Ownership = Number of Shares Owned by Institutions / Number of Outstanding Shares

Institutional ownership is the proportion of company shares owned by institutions, such as investment companies, banks, pension funds, insurance companies, or other financial institutions.

Regression Model Equation

The multiple linear regression model used in this study is as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + e$$

Description:

Y = Firm Value (Dependent Variable)

a = Constant

β_1 = Capital Structure Regression Coefficient

β_2 = Profitability Regression Coefficient

β_3 = Dividend Policy Regression Coefficient

X1 = Capital Structure

X2 = Profitability

X3 = Dividend Policy
Z = Institutional Ownership
e = Error

Meanwhile, the Moderated Regression Analysis (MRA) model used to test the role of institutional ownership as a moderating variable is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \beta_5 X_1Z + \beta_6 X_2Z + \beta_7 X_3Z + \epsilon$$

Description:

Y = Firm Value (Dependent Variable)

α = Constant

β_1 - β_3 = Independent Variable Regression Coefficients

β_4 = Moderating Variable Regression Coefficient

β_5 - β_7 = Interaction Variable Regression Coefficients

X1 = Capital Structure

X2 = Profitability

X3 = Dividend Policy

Z = Institutional Ownership

X1Z = Interaction between Capital Structure and Institutional Ownership

X2Z = Interaction between Profitability and Institutional Ownership

X3Z = Interaction between Dividend Policy and Institutional Ownership

ϵ = Error

The data analysis of this study was carried out in stages. First, data characteristics were described using descriptive statistics. The second step was running classical assumption tests, such as heteroscedasticity and multicollinearity. As a third step, the researchers estimated the impact of independent factors on firm value using multiple linear regression. Fourth, by multiplying each variable, the interaction variables between independent factors and moderating factors were formed, and then Moderated Regression Analysis (MRA) was performed. The researchers tested the hypotheses using regression coefficient values and a significance threshold of 5%.

RESULTS AND DISCUSSION

Results

The description of research variables is presented through descriptive statistical analysis in Table 3, which includes minimum, maximum, mean, and standard deviation values.

Table 3
Descriptive Statistical Test

Indicator	Y	X1	X2	X3	Z
Mean	1.534867	-0.280644	0.072890	0.232329	0.595997
Median	1.047921	0.367595	0.053187	0.000000	0.641517
Maximum	22.25046	41.64761	2.737654	10.38635	0.984095
Minimum	-40.74122	-90.29808	-4.129987	-0.026857	0.000000
Std. Dev.	5.904952	11.26715	0.795722	1.106568	0.328520
Skewness	-3.571314	-5.153802	-1.450968	8.735466	-0.525231
Kurtosis	32.17077	48.75152	14.48758	80.56651	1.976174

Table Source: Results Processed Using EVIEWS 12, 2026

Using data from 90 observations across capital structure, profitability, dividend policy, firm value, and institutional ownership factors, the descriptive statistical analysis revealed the following (Table 3). A standard deviation of 5.904952 and a mean of 1.534867 form the firm value variable (Y). This means that firm value is often moderate, but the data dispersion is very high. The standard deviation of the capital structure variable (X1) is 11.26715 and its mean is -0.280644. If the mean is negative, the company's capital structure tends to decline, and if the standard deviation is much larger, there is a lot of data variance. The standard deviation of the profitability variable (X2) is 0.795722 while the mean is 0.072890. If the mean is positive, companies are usually profitable, but not highly profitable. With a standard deviation of 1.106568, the mean value of the dividend policy variable (X3) is 0.232329. Companies often pay minimal dividends, according to these data. The larger standard deviation, on the other hand, shows that dividend policies differ significantly between businesses. The standard deviation of the institutional ownership variable (Z) is 0.328520, while its mean value is 0.595997. Institutional ownership is often quite high, as seen from this average figure. The institutional ownership data does not display substantial dispersion across sample companies, as shown by the lower standard deviation.

Using the GLS technique, panel data regression using the REM methodology potentially allows violations of certain classical assumptions. Therefore, multicollinearity and heteroscedasticity are the main focus of traditional assumption testing in panel data research (Basuki & Prawoto, 2016). Thus, this study initially conducted conventional assumption tests to ensure that the regression model met the required statistical standards before proceeding to hypothesis testing. Before the MRA test, traditional assumption tests were carried out.

Table 4
Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.350686	4.538755	NA
X1	0.000652	1.060185	1.059520
X2	0.131349	1.073454	1.064422
X3	0.064511	1.056070	1.011003
Z	0.735436	4.396897	1.015858

Table Source: Results Processed Using EVIEWS 12, 2026

Based on Table 4 multicollinearity test using Variance Inflation Factor (VIF), it is known that the Centered VIF value for variable X1 is 1.0595, X2 is 1.0644, X3 is 1.0110, and Z is 1.0158. All these Centered VIF values are below the number 10 (even close to 1), so it can be concluded that there are no symptoms of multicollinearity in the regression model. Thus, the regression model used has met the classical assumption of multicollinearity.

Table 5
Heteroscedasticity Test Results (Breusch-Pagan-Godfrey)

F-statistic	0.259945	Prob. F(4,85)	0.9028
Obs*R-squared	1.087638	Prob. Chi-Square(4)	0.8962
Scaled explained SS	2.969869	Prob. Chi-Square(4)	0.5629

Table Source: Results Processed Using EVIEWS 12, 2026

Based on Table 5 heteroscedasticity test using the Breusch-Pagan-Godfrey method, a Prob. F value of 0.9028 and a Prob. Chi-Square value of 0.8962 were obtained. These probability

values are greater than the significance level of 0.05, so H_0 , which states there is no heteroscedasticity (homoscedasticity), cannot be rejected. Thus, it can be concluded that the regression model does not contain symptoms of heteroscedasticity and has met classical assumptions.

Table 6
F-Test (Simultaneous) Results

R-squared	0.887840	Mean dependent var	0.562908
Adjusted R-squared	0.882562	S.D. dependent var	5.421400
S.E. of regression	1.857872	Sum squared resid	293.3935
F-statistic	168.2117	Durbin-Watson stat	1.303065
Prob(F-statistic)	0.000000		

Table Source: Results Processed Using EVIEWS 12, 2026

Based on Table 6 simultaneous testing (F-test), an F-statistic value of 168.211 was obtained with a Prob(F-statistic) value of 0.000. This probability value is smaller than the sig. 0.05 mark, so it can be concluded that the research model is simultaneously significant.

Table 7
t-Test (Partial) Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.940854	0.968398	3.036824	0.0032
X1	0.477470	0.018366	25.99702	0.0000
X2	0.598784	0.263528	2.272182	0.0256
X3	-0.034543	0.195078	-0.177072	0.8599
Z	-2.193986	1.366549	-1.605493	0.1121

Table Source: Results Processed Using EVIEWS 12, 2026

Based on Table 7, the test results on the first model, the capital structure variable (X1) has a sig. figure of 0.0000 (< 0.05) with a positive coefficient, so it has a significant positive implication on firm value. The profitability variable (X2) also shows a significant positive effect with a sig. figure of 0.0256 (< 0.05) on firm value. The dividend policy variable (X3) has a sig. figure of 0.8599 (> 0.05), so it has no significant implication on firm value. Meanwhile, the institutional ownership variable (Z) has a sig. figure of 0.1121 (> 0.05), so it has no significant implication on firm value.

Looking at the table above, the multiple linear regression analysis equation can be formulated as follows:

$$Y = 2.940 + 0.477X_1 + 0.599X_2 - 0.035X_3 - 2.194Z$$

Table 8
Moderated Regression Analysis (MRA) Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.102653	1.057059	2.935174	0.0043
X1	0.477877	0.020064	23.81764	0.0000
X2	0.648207	0.367981	1.761523	0.0819
X3	-0.503700	1.022524	-0.492604	0.6236
Z	-2.516826	1.506252	-1.670919	0.0986
X1Z	0.046093	0.143371	0.321493	0.7487
X2Z	-0.205100	0.731737	-0.280292	0.7800
X3Z	1.468628	3.111291	0.472032	0.6382

Table Source: Results Processed Using EVIEWS 12, 2026

Based on the moderated regression analysis results in the table above, the interpretation of the regression equation can be described as follows:

$$Y = 3.103 + 0.478X_1 + 0.648X_2 - 0.504X_3 - 2.517Z + 0.046(X_1Z) - 0.205(X_2Z) + 1.469(X_3Z)$$

As shown in Table 8, the moderation regression results show the interaction between capital structure and institutional ownership has a coefficient of 0.046 with a sig. figure of 0.7487 (> 0.05), and the interaction between profitability and institutional ownership has a coefficient of -0.205 with a sig. figure of 0.7800 (> 0.05), as well as the interaction between dividend policy and institutional ownership has a coefficient value of 1.469 with a sig. figure of 0.6382 (> 0.05). This shows that institutional ownership is unable to moderate the relationship between capital structure, profitability, and dividend policy on firm value.

Table 9
Coefficient of Determination Test Results (Direct Effect)

R-squared	0.887840	Mean dependent var	0.562908
Adjusted R-squared	0.882562	S.D. dependent var	5.421400
S.E. of regression	1.857872	Sum squared resid	293.3935
F-statistic	168.2117	Durbin-Watson stat	1.303065
Prob(F-statistic)	0.000000		

Table Source: Results Processed Using EVIEWS 12, 2026

Based on Table 9, an Adjusted R Square value of 0.8826 is obtained. This shows that the independent variables, namely capital structure, profitability, and dividend policy, are able to explain the dependent variable, namely firm value, by 88.26%, while the remaining 11.74% is explained by other variables outside the research model.

Table 10
Coefficient of Determination Test Results (Indirect Effect)

R-squared	0.890818	Mean dependent var	0.520532
Adjusted R-squared	0.881497	S.D. dependent var	5.410014
S.E. of regression	1.862356	Sum squared resid	284.4065
F-statistic	95.57666	Durbin-Watson stat	1.343706
Prob(F-statistic)	0.000000		

Table Source: Results Processed Using EVIEWS 12, 2026

Based on Table 10, an Adjusted R Square value of 0.8815 is obtained. This shows that the independent variables, namely capital structure, profitability, and dividend policy, as well as the interaction variables between each independent variable and institutional ownership together are able to explain the variation in firm value (Y) by 88.15%. Thus, 11.85% of the variation in firm value is explained by other factors outside this study's model which are not included in the analysis.

Discussion

The first hypothesis (H1), that capital structure has a significant positive implication on firm value with a sig. figure of 0.000 (< 0.05) and a t-statistic value of 25.997. The results of this test show that the first hypothesis is accepted, while the null hypothesis is rejected. Conceptually, these results show that the more optimal a company's capital structure is, the higher the firm value

in the eyes of investors. These results occur because the appropriate use of capital structure is able to create a balance between funding sources originating from debt and equity, so that the company can maximize operational activities and increase investor confidence.

These results are in line with the trade-off theory prediction that businesses will try to find a balance point between the pros and cons of debt financing to build the best capital structure. A company can increase its value through the use of debt in its capital structure, which offers tax advantages and new funding sources for its operations. On the other hand, taking on too much debt can make the company more vulnerable to financial problems. Thus, a well-managed capital structure can increase firm value by making investors feel confident about the company's future and stability. On the other hand, if the capital structure is imbalanced, it can affect firm value and damage investor confidence. The findings of this study corroborate the findings of other studies showing a statistically significant positive relationship between capital structure and firm value (Cahyani et al., 2024; Cordiaz et al., 2021; Widhiastuti & Pradnyani, 2025). Therefore, capital structure can serve as a useful measure to gauge a company's value.

The second hypothesis (H2), that profitability has a significant positive effect on firm value with a sig. figure of 0.0256 (< 0.05) and a t-statistic value of 2.272. These findings support the acceptance of the alternative hypothesis and the rejection of the null hypothesis. These findings provide conceptual support for the notion that investors place greater value on a company relative to its profitability. This is due to the fact that large profit margins show the company is good at managing its assets and resources to generate profits. Investors are confident in the company's promising future and its ability to provide maximum return on investment because of this situation. In addition, the market has greater confidence in a company and its stock price rises when profitability is high because it shows the company is performing well financially. This situation will ultimately affect the firm value.

These results are consistent with agency theory, which states that in a principal-agent relationship, management is obliged to maximize shareholder wealth through company operations. A high level of profitability demonstrates competent management capable of converting company resources into cash. Investors have more trust in the company because this situation shows that management has done a good job in carrying out its corporate governance duties for the benefit of shareholders. Increased stock prices and firm value are common results of highly profitable businesses, which is a reflection of a promising company future and its capacity to generate returns on investment. Conversely, low profitability can cause investors to lose confidence in the company's leadership and future prospects, which in turn lowers business value. Consistent with other studies, this study also shows that profitability significantly increases firm value (Pramono & Bustaman, 2025; Siregar et al., 2023; Astuti et al., 2024; Yuswandani et al., 2023).

The third hypothesis (H3) states that dividend policy has implications for firm value, but the test results show that this hypothesis is rejected with a sig. figure of 0.8599 (> 0.05) and a t-statistic value of -0.1771, so dividend policy has no implication on firm value. These findings show that changes in dividend policy may not necessarily lead to corresponding changes in business value. The reason is that investors consider several elements, including the size of the dividend, the company's growth prospects, profitability, income stability, and market conditions, when making their investment decisions. The size of the dividend payment also has little impact on

investment choices because some investors care more about capital gains than dividends. As a consequence of these findings, dividend policy is no longer considered a key component in increasing firm value, as companies choose to reinvest their earnings back into the business or use them for corporate growth. Consequently, a high dividend policy or rapid expansion are not necessarily indicators of a valuable company. This confirms what other studies have shown: dividend policy does not affect the value of a business (Win & Hasibuan, 2025; Simanjuntak et al., 2024).

The fourth hypothesis (H4), states that institutional ownership is able to moderate the relationship between capital structure and firm value. With a t-statistic of 0.3215 and a sig. figure of 0.7487 (> 0.05), the fourth hypothesis is rejected according to the hypothesis testing findings. Institutional ownership cannot modify the relationship between capital structure and business value, according to these results. Based on the findings, institutional ownership does not have an implication on the relationship between capital structure and business value. This happens because the level of institutional ownership has a smaller impact on the effect of capital structure on firm value compared to relative financing and optimal management of debt and equity within the organization. Variations in institutional ownership do not have a sufficiently significant impact to alter the relationship between capital structure and business value, which is determined by the balance between debt advantages and financial risks. Moreover, the fact that institutional ownership largely remained unchanged during the study period shows that these investors are satisfied to stay on the sidelines and do not actively influence how companies use their funding. Thus, the impact of capital structure on firm value is not influenced by institutional ownership.

This confirms what other research has shown, that institutional ownership does not necessarily affect the correlation between capital structure and firm value. Institutional ownership cannot modify the relationship between capital structure and business value, as explained by Surya et al. (2026). Based on these findings, it appears that massive institutional ownership of a company's stock does not necessarily lead to better oversight of its financial practices. Therefore, regardless of the amount of institutional ownership, the impact of capital structure on business value remains relatively constant.

The fifth hypothesis (H5), states that institutional ownership is able to moderate the relationship between profitability and firm value. With a sig. figure of 0.7800 (> 0.05) and a t-statistic of -0.2803, the hypothesis testing results show that the fifth hypothesis is rejected. Based on these results, it appears that institutional ownership cannot moderate the correlation between profit and firm value. Return on Equity (ROE) is a measure of company profitability showing how well a company uses its capital to generate profit. Consequently, the effect of ROE on firm value is unaffected by the amount of institutional ownership. Regardless of the presence or absence of institutional ownership, a high return on equity (ROE) is sufficient to foster confidence in the company's ability and future prospects among investors. Institutional ownership largely remained constant during the study period, meaning that ownership changes could not significantly impact the strength of the association. It is clear from this position that institutional investors are unable to effectively oversee corporate policy; instead, they choose to take a passive role. As a measure of a company's efficiency in generating returns on equity, a high ROE will foster optimism among investors and lead to higher stock prices. Profitability, not the level of institutional ownership, is the main factor in a company's ability to increase its value.

The findings of this analysis align with other studies that found, when controlled by institutional ownership, profitability does not affect firm value. There is no moderating effect of institutional ownership on the correlation between profitability and business valuation, according to Widhiastuti and Pradnyani (2025). Profitability has a direct influence on business valuation regardless of the amount of institutional ownership, as shown by this. Because profitability—defined as a company's ability to generate profit—has emerged as a key component in investors' evaluation of a business, its impact on firm value is not linked to the level of institutional ownership.

The sixth hypothesis (H6) states that institutional ownership is able to moderate the relationship between dividend policy and firm value. With a t-statistic of 0.4720 and a sig. figure of 0.6382 (> 0.05), the sixth hypothesis is rejected according to the hypothesis testing findings. These results show that the relationship between dividend policy and business valuation is not modified by institutional ownership. Because dividend policy is more closely related to a company's choice to pay profits to shareholders, its impact on firm value is not linked to the level of institutional ownership. Consequently, this is the resulting outcome. Generally, investors care more about a company's future, its earnings consistency, and the likelihood of capital gains than dividend policy. Institutional ownership largely remained constant during the study period, meaning that ownership fluctuations could not significantly impact the strength of the association. According to these conditions, the amount of institutional ownership is less important than how investors view the company's performance and future prospects in determining the increase in firm value.

The findings from this analysis are in line with findings from other studies that found no evidence that institutional ownership significantly moderates the correlation between dividend policy and firm valuation. Institutional ownership does not consistently influence dividend policy, according to Widilestariningtyas & Ahmad (2021).

This scenario does not support the notion that institutional ownership is currently at an ideal level where it can provide maximum benefits, according to stakeholder theory. Consequently, institutional ownership does not make a significant contribution to moderating the relationship between firm value and dividend payments.

CONCLUSION

Conclusion

This study aims to examine the impact of capital structure, profitability, and dividend policy on firm value in businesses listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024, with institutional ownership as a moderating variable. Because investors place trust in a company's ability to generate profit, the findings show that profitability is a key factor in increasing firm value. Both the company's health and the market's reaction determine the extent to which capital structure and dividend policy affect firm value. There is evidence showing that institutional ownership enhances the oversight role, which in turn increases investor confidence.

To increase firm value, businesses must keep their finances stable, look for ways to generate more money, and stick to their dividend policies. For better and more open corporate governance, institutional investor participation is very important.

Research Limitations

The industry studied, the observation timeframe (2020–2024), and the fact that external influences such as market sentiment and macroeconomic conditions were not taken into account, are all elements that can impact firm value.

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