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An Analysis Of The Effects Of Capital Structure, Dividend Policy, And Firm Size On Corporate Value

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Abstract

This research examines how firm value is affected by capital structure, dividend policy, and firm size, focusing on consumer goods manufacturers listed on the Indonesia Stock Exchange between 2024 and 2025. In this quantitative descriptive study, financial metrics such as the Price-to-Book Value (PBV) ratio represent firm value, whereas the Debt-to-Equity Ratio (DER), Dividend Payout Ratio (DPR), and the natural log of total assets measure the independent variables. Utilizing a purposive sampling method, 30 out of 83 potential companies were selected, providing 60 distinct firm-year observations from published annual reports. Following successful classical assumption testing, the secondary data underwent multiple linear regression analysis via IBM SPSS. The empirical findings reveal that while capital structure and firm size fail to influence firm value significantly, dividend policy demonstrates a significant positive effect. However, when tested simultaneously, all independent variables collectively show a significant impact on firm value.

Keywords: Firm Value, Capital Structure, Dividend Policy, Firm Size, Price-to-Book Value.

INTRODUCTION

Firm value represents an important measure of corporate success because it reflects how the market evaluates a company's overall performance and future potential. Investors often associate firm value with management's effectiveness in utilizing available resources to generate sustainable returns (Haikal et al., 2025). In publicly listed companies, firm value is commonly indicated by stock market performance. An increase in share prices generally signals stronger investor confidence in the firm's profitability and long-term viability (Salsabila & Imronudin, 2025).

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From a managerial perspective, enhancing firm value is a fundamental objective since it is closely linked to maximizing shareholders' wealth. Firms with higher values are typically viewed as having superior capabilities in managing their financial resources, including assets, liabilities, and equity (Farizki et al., 2021). A favorable firm value also strengthens the company's appeal to potential investors. Consequently, understanding the factors that contribute to firm value has become an important concern for corporate management, particularly factors associated with financial policies and strategic decision-making (Manafe & Irnawati, 2026).

The consumer goods manufacturing industry plays a significant role in Indonesia's economic development. Companies within this sector produce various essential products, such as food, beverages, medicines, cosmetics, personal care products, and household goods. Since these products are closely related to daily consumer needs, market demand tends to remain relatively stable. This stability makes consumer goods firms attractive investment targets for both individual and institutional investors (Pradana & Aksari, 2022; Salsabila & Imronudin, 2025).

Despite its promising characteristics, the consumer goods industry is not free from challenges. Fluctuations in raw material costs, changing consumer purchasing power, increasing competitive pressure, and economic uncertainty can affect business performance. Such conditions may influence investor perceptions and ultimately impact firm value. Therefore, firms must formulate and implement effective financial strategies to maintain market confidence and support long-term growth (Salsabila & Imronudin, 2025).

Capital structure is frequently identified as one of the determinants of firm value. It describes the financing composition used by a company, particularly the proportion between debt and equity. A well-balanced capital structure may enable firms to achieve an optimal trade-off between risk and expected return. While debt financing can provide certain advantages, excessive dependence on debt may increase financial vulnerability and reduce corporate value (Eftasari & desriani, 2024). For this reason, financing decisions should be carefully managed to support value creation (Khorita & Widodo, 2024; Nurhidayah et al., 2024).

Dividend policy is another financial decision that receives considerable attention from investors. This policy determines the extent to which corporate earnings are distributed to shareholders or retained for future business expansion (Farizki et al., 2021). Companies that consistently pay dividends are often perceived as financially healthy and capable of generating stable earnings. Consequently, dividend payments may function

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as positive signals that strengthen investor confidence and contribute to higher firm value (Petronila & Aprilianti, 2024).

Firm size is also frequently examined in relation to firm value. Generally, larger firms possess greater assets, stronger operational resources, and wider access to external financing sources. These advantages may support business stability and competitive strength (Nurhidayah et al., 2024). Nevertheless, the possession of substantial assets alone does not automatically increase firm value. The ability of management to utilize those assets efficiently remains a crucial factor in determining whether firm size can contribute positively to market valuation (Salsabila & Imronudin, 2025).

RESEARCH METHOD

This research adopted a quantitative methodology with a descriptive orientation to investigate the extent to which capital structure, dividend policy, and firm size are associated with firm value among consumer goods manufacturing companies traded on the Indonesia Stock Exchange (IDX) throughout the 2024–2025 period (Manafe & Irnawati, 2026; Sugiyono, 2023).

The target population comprised 83 listed companies. Sample selection was undertaken through a purposive sampling technique by applying several predetermined requirements, namely continuous listing status during the study period, availability of complete annual reports, positive profitability performance, and regular dividend distribution. After applying these screening criteria, 30 companies qualified as research samples, yielding a total of 60 firm-year observations (Mandalika & Mudjijah, 2024).

The investigation utilized documentary secondary data sourced from audited annual reports and published financial statements. Such records were considered appropriate because they offer verifiable evidence regarding firms' financial conditions and managerial policies (Theodora & Sanjaya, 2024). In this study, firm value was represented by the Price-to-Book Value (PBV) ratio. Meanwhile, capital structure, dividend policy, and firm size were operationalized using the Debt-to-Equity Ratio (DER), Dividend Payout Ratio (DPR), and the natural logarithm of total assets, respectively (Afriyani et al., 2026; Manafe & Irnawati, 2026).

Statistical processing was carried out using multiple regression analysis through IBM SPSS software. Before estimating the regression model, a series of diagnostic procedures were performed, including tests of normality, multicollinearity, heteroscedasticity, and autocorrelation, to verify that the data satisfied the underlying

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assumptions required for reliable estimation (Mandalika & Mudjijah, 2024; Widyakto et al., 2024). Thereafter, hypothesis evaluation was conducted through the t-statistic, F-statistic, and coefficient of determination (R^2), enabling an assessment of both the individual and combined contributions of the explanatory variables to variations in firm value (Afriyani et al., 2026).

RESULTS AND DISCUSSION

The empirical investigation utilized data collected from 30 consumer goods manufacturing companies publicly traded on the Indonesia Stock Exchange (IDX). Considering the two-year observation window from 2024 to 2025, a total of 60 firm-year records were included in the analysis. The study positioned firm value as the outcome variable, represented by the Price-to-Book Value (PBV). Meanwhile, capital structure, dividend policy, and firm size functioned as explanatory variables and were measured using the Debt-to-Equity Ratio (DER), Dividend Payout Ratio (DPR), and natural logarithm of total assets, respectively.

Descriptive analysis indicates that the variables exhibit considerable dispersion across the sample firms. Firm value recorded the widest range, extending from 0.24 to 14.12, with an average of 2.3354. The standard deviation of 2.61251 suggests substantial variability in market valuation among the observed companies. Capital structure demonstrated values between 0.07 and 3.62, generating a mean of 0.6076. Likewise, dividend policy ranged from 0.18 to 1.01 and produced an average score of 0.4481. Firm size showed less variation than the other variables, with values distributed between 25.93 and 33.02 and an average level of 29.6624.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Financial Leverage	60	0.07	3.62	0.6076	0.64155
Dividend Distribution Policy	60	0.18	1.01	0.4481	0.22910
Company Size	60	25.93	33.02	29.6624	1.59139
Corporate Value	60	0.24	14.12	2.3354	2.61251

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Before estimating the regression model, several diagnostic procedures were performed to verify compliance with the classical assumptions. The normality assessment using the Kolmogorov–Smirnov procedure generated a significance level of 0.200, indicating that the residual distribution did not deviate from normality. Furthermore, the multicollinearity examination revealed acceptable tolerance and Variance Inflation Factor (VIF) values for all predictors, signifying the absence of problematic intercorrelations among the independent variables.

To identify potential heteroscedasticity issues, the Glejser method was employed. The resulting significance values for capital structure, dividend policy, and firm size exceeded the critical level of 0.05, demonstrating that the variance of residuals remained constant across observations. Moreover, the Durbin–Watson statistic of 2.130 suggested that serial correlation was not present. Collectively, these findings confirm that the regression model met the required statistical assumptions and was suitable for further interpretation.

The estimated regression model can be expressed as follows:

Firm Value = 0.334 + 0.173(Capital Structure) + 1.036(Dividend Policy) – 1.169(Firm Size) + ε

The estimated coefficient associated with capital structure was positive, indicating that firms with higher leverage tend to exhibit greater market value when other factors are held constant. However, the probability value of 0.141 failed to reach conventional significance levels. Consequently, leverage cannot be regarded as a determining factor of firm value within the sampled companies. This outcome implies that market participants may evaluate debt usage alongside other indicators, such as earnings performance, growth potential, and long-term business sustainability.

Dividend policy emerged as the only variable demonstrating a statistically meaningful effect. The positive coefficient and highly significant probability value indicate that companies distributing dividends more generously tend to receive stronger market appreciation. From an investor perspective, dividend payments often serve as a credible signal regarding financial health, profitability, and management confidence in future performance. As a result, firms with stable dividend practices are more likely to attract investor interest and achieve superior valuations.

In contrast, firm size displayed a negative coefficient and did not exhibit statistical significance. This finding suggests that asset accumulation alone does not guarantee an increase in market value. Investors appear to focus less on the sheer scale of corporate resources and more on management's ability to convert those resources into profitable

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outcomes and shareholder wealth. Therefore, efficiency and productivity may be considered more important than organizational size itself.

Table 2. Multiple Linear Regression Results

Variable	Regression Coefficient	t-value	Sig.
Constant	0.334	0.927	0.358
Capital Structure	0.173	1.495	0.141
Dividend Policy	1.036	5.719	0.000
Firm Size	-1.169	-0.663	0.510

The joint contribution of the explanatory variables was assessed through the F-test. The model generated an F-statistic of 13.924 accompanied by a significance value below 0.05. This evidence demonstrates that capital structure, dividend policy, and firm size collectively provide meaningful explanatory power regarding changes in firm value. Although not all predictors were individually significant, their combined presence contributes to the overall performance of the regression model.

Table 3. ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	17.026	3	5.675	13.924	0.000
Residual	22.418	55	0.408		
Total	39.444	58			

The explanatory capacity of the model was further examined through the coefficient of determination. The Adjusted R^2 value of 0.401 indicates that approximately 40.1% of the observed variation in firm value can be attributed to the three independent variables included in the model. The remaining proportion is likely influenced by other factors outside the scope of this study, including profitability, liquidity conditions, investment opportunities, ownership structure, governance quality, and macroeconomic circumstances.

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Table 4. Coefficient of Determination

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.657	0.432	0.401	0.63843

Overall, the empirical evidence indicates that dividend policy plays a prominent role in shaping firm value, whereas capital structure and firm size do not exert a statistically significant impact. These findings suggest that investors place greater weight on signals related to cash distribution and future earnings prospects than on leverage levels or company scale. Nevertheless, the significant joint effect identified through the F-test confirms that financing decisions, dividend practices, and organizational scale collectively contribute to the valuation process. Accordingly, corporate managers should pursue an integrated approach that balances financing policies, dividend decisions, and asset utilization in order to enhance shareholder wealth and strengthen market confidence.

CONCLUSION

This study concludes that neither capital structure nor firm size serves as a significant predictor of firm value within the sampled consumer goods manufacturing firms. The findings suggest that investors do not rely solely on leverage levels or company scale when assessing corporate worth. On the other hand, dividend policy emerges as a key factor influencing firm value, as firms with stronger dividend distribution practices tend to receive more favorable market assessments. In addition, the joint effect analysis demonstrates that the three independent variables, when considered together, play a meaningful role in explaining changes in firm value. Accordingly, managers are encouraged to formulate integrated financial policies that balance funding decisions, dividend allocation, and asset utilization strategies. To enrich future investigations, researchers may consider incorporating broader financial and non-financial variables, such as profitability, liquidity, growth opportunities, investment policies, Good Corporate Governance (GCG), and Corporate Social Responsibility (CSR), thereby offering a more comprehensive explanation of the drivers of firm value.

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