

Dividend Policy, Debt Policy, and Firm Value: The Moderating Role of Profitability in Indonesian Automotive Firms

Muhamad Syahwildan^{1*}, Widiastuti Widiastuti², Preatmi Nurastuti³, Miftah Fauzie⁴

^{1,2,3,4}Universitas Pelita Bangsa

Email: muhamad.syahwildan@pelitabangsa.ac.id

Abstract

Company value is one of the main indicators reflecting a company's success in creating shareholder wealth. The decline in firm value in the automotive subsector is indicated by a downward trend in Price to Book Value (PBV), influenced by fluctuations in macroeconomic conditions, increasing production costs, and shifts in consumer preferences toward more efficient and environmentally friendly products. The purpose of this study is to examine the effect of dividend policy and debt policy on firm value, with profitability as a moderating variable. The population consists of companies in the automotive and component subsector listed on the Indonesia Stock Exchange for the period 2017–2024. The sample was selected using a purposive sampling method, resulting in 7 companies observed over eight years, yielding a total of 56 observations. The data used are secondary data obtained from the companies' financial statements available on the official website www.idx.co.id. The analytical method applied is panel-data regression with Moderated Regression Analysis using EViews 13. The results indicate that dividend policy has no significant effect on firm value, and profitability weakens the relationship between dividend policy and firm value. This suggests that dividends are not the primary indicator used by investors in evaluating company performance. Meanwhile, debt policy has a significant effect on firm value, and profitability strengthens the relationship between debt policy and firm value. This implies that companies with higher profitability are more capable of managing their financial obligations effectively, thereby increasing firm value.

Keywords: dividend policy, capital structure, firm value, profitability, automotive industry

Introduction

Indonesia's automotive industry is an important manufacturing sector that contributes to economic activity, employment, and industrial development. According to Gaikindo (2023), Indonesia has at least 26 four-wheeled vehicle manufacturers with an annual production capacity of approximately 2.35 million units and more than 1.5 million workers employed directly and indirectly. In 2023, domestic four-wheeled vehicle sales reached 836,048 units from January to October, while cumulative exports during the same period reached 426,381 units, approximately 10.9% higher than in the previous year. These figures indicate the substantial scale of the automotive industry in Indonesia. However, strong industry activity does not necessarily translate into consistently increasing firm value, particularly because automotive companies remain exposed to changes in economic conditions, consumer demand, production costs, and financial management decisions.

This vulnerability became particularly visible during the COVID-19 pandemic. Restrictions on public mobility, supply-chain disruptions, declining purchasing power, and

economic uncertainty weakened automotive demand and affected corporate performance (Djo & Yuniati, 2024). Capital-market conditions were also characterized by fluctuations in share prices and greater investor caution (Syahwildan & Hidayah, 2023). These conditions placed greater pressure on automotive companies to maintain financial stability while making appropriate financing and distribution decisions. Accordingly, dividend policy, debt policy, profitability, and firm value became particularly relevant financial considerations during the period surrounding the pandemic.

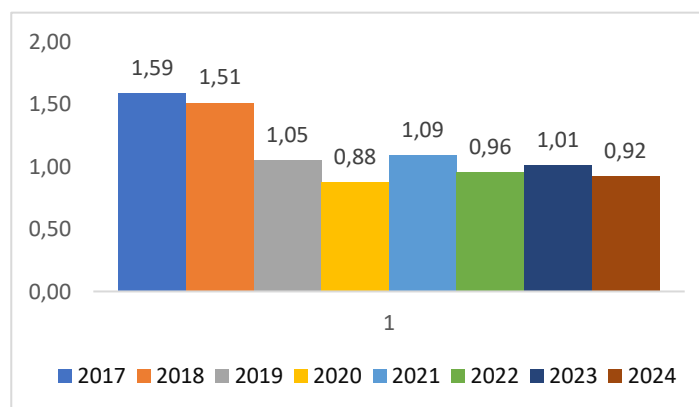


Figure 1. Average PBV of Automotive Companies for the Period 2017–2024
Source: Data processed by researchers, 2025.

As shown in Figure 1, the average Price-to-Book Value (PBV) of automotive companies declined from 1.59 in 2017 to 0.92 in 2024. The pattern was not linear, as PBV fell to 0.88 in 2020, increased to 1.09 in 2021, declined to 0.96 in 2022, rose slightly to 1.01 in 2023, and decreased again to 0.92 in 2024. These movements indicate that market valuation changed considerably during the observation period. The increase recorded in 2021 should be interpreted as a descriptive rebound rather than direct evidence that a particular managerial action caused the improvement. The movement coincided with the period of economic and corporate adjustment following the severe disruption of the COVID-19 pandemic, during which profitability, leverage, and dividend decisions were also relevant to the valuation of automotive companies (Djo & Yuniati, 2024). Therefore, the fluctuating PBV pattern provides an empirical basis for examining whether differences in corporate financial policies are associated with firm value.

Dividend policy is one of the financial decisions that may shape investors' assessment of a company. It determines the proportion of earnings distributed to shareholders and the proportion retained to finance future investment and business expansion (Sapulette & Senduk, 2022). Under the residual dividend approach, dividends are distributed after the company has fulfilled its working-capital and capital-expenditure requirements (Nor et al., 2020). Dividend payments may also provide information to investors regarding management's confidence in future financial performance. Higher or more stable dividends can be interpreted as a positive signal when they are supported by sustainable earnings, although investors may also prefer retained earnings when they are expected to generate greater future growth. Empirical findings remain inconsistent. Ajizah and Perdinusa (2022) found that dividend policy positively affects firm value, whereas Dewi and Suryono (2019) and Sapulette and Senduk (2022) reported no

significant relationship. These contrasting findings indicate that the relationship between dividend policy and firm value may depend on the company's financial condition.

Debt policy presents a similar trade-off. Debt provides external financing that can support operating activities and business development without requiring companies to issue additional equity (Pamungkas & Utiyati, 2022). Appropriate leverage may support firm value when borrowed funds are employed productively and generate returns above their financing costs. However, increasing debt also creates interest and repayment obligations and can raise financial risk when the company's operating performance is insufficient to support those obligations (Dewi & Suryono, 2019). Previous findings also show different conclusions. Pamungkas and Utiyati (2022) reported a significant relationship between debt policy and firm value, whereas Apriliyanti et al. (2019) emphasized that excessive debt may reduce firm value because of increasing financial risk. Thus, investors' responses to debt may depend not only on the amount of leverage but also on the company's ability to generate sufficient earnings to manage that leverage.

This condition highlights the potential moderating role of profitability. Profitability reflects a company's ability to generate earnings from the resources it controls and is commonly measured using Return on Assets (ROA) (Rimawan et al., 2023). Theoretically, profitability can alter how investors interpret both dividend and debt policies. In the dividend–firm value relationship, higher profitability increases the company's capacity to distribute dividends without necessarily sacrificing internal financing needs. At the same time, when profitability already provides a strong signal of operating performance, investors may rely less heavily on dividend payments as an indicator of firm quality. Therefore, the relevance of dividend policy to firm value may vary across different levels of profitability. In the debt–firm value relationship, profitable companies generally have a greater capacity to meet interest and principal obligations. Consequently, investors may view debt as a productive financing instrument when it is supported by strong profitability, whereas similar leverage may be perceived as a greater financial burden when profitability is weak. Previous studies have also suggested that profitability can alter the relationship between corporate financial policies and firm value (Sari et al., 2020; Asril et al., 2021).

The moderating role of profitability is particularly relevant in the automotive industry because the sector experienced substantial changes in operating conditions during the study period. Automotive companies faced differences in demand, production pressures, supply-chain conditions, and financing requirements, especially during and after the COVID-19 disruption. Under such conditions, the same dividend or debt decision may be interpreted differently depending on the company's ability to generate profits. The 2017–2024 period therefore provides a distinctive setting because it captures three different business environments: the pre-pandemic period, the severe disruption during the COVID-19 pandemic, and the subsequent recovery and adjustment period. Examining the full period allows the study to evaluate financial-policy relationships under changing economic and corporate conditions rather than within a single stable environment.

Against this background, previous empirical findings concerning dividend policy, debt policy, profitability, and firm value remain inconclusive. This study therefore examines the relationship between dividend policy and debt policy and firm value, while assessing whether profitability moderates these relationships among automotive and component companies listed on the Indonesia Stock Exchange. The study extends earlier research, including Maslukhah (2017), by focusing specifically on the automotive and component subsector and by using the

2017-2024 observation period, which incorporates pre-pandemic, pandemic, and post-pandemic conditions. The study is expected to provide a clearer understanding of whether profitability changes the way dividend and debt policies are associated with market valuation in an industry exposed to substantial changes in operating and financial conditions.

Firm Value

Firm value represents the market's assessment of a company's current condition and future prospects. In publicly listed companies, firm value is commonly reflected in market-based indicators such as stock prices, Price-to-Book Value (PBV), and Price-Earnings Ratio (PER). These measures capture how investors assess a company's expected ability to generate future returns and create shareholder wealth. However, firm value should be distinguished from accounting performance. Accounting indicators reflect historical financial outcomes based on information reported in financial statements, whereas market-based measures incorporate investors' expectations regarding future profitability, risk, growth opportunities, and corporate financial decisions. Therefore, a company may report strong accounting performance without necessarily obtaining a high market valuation when investors perceive greater uncertainty regarding its future prospects.

From a financial management perspective, maximizing firm value is one of the company's central objectives because it is closely related to shareholder wealth. PBV, which is used in this study, reflects the extent to which the market values a company's equity relative to its recorded book value. A higher PBV generally indicates stronger market confidence in the company's future prospects, whereas a lower PBV may indicate weaker investor expectations or higher perceived risk.

According to Apriliyanti et al. (2019), firm value may be associated with various corporate financial policies, particularly dividend policy, debt policy, and profitability. This indicates that market valuation is shaped not only by external economic conditions but also by managerial decisions concerning financing, earnings distribution, and resource allocation. In the automotive sector, Djo and Yuniati (2024) also found that profitability, leverage, and dividend policy contribute to differences in firm value. Accordingly, firm value provides an important market-based indicator for evaluating how investors respond to corporate financial decisions.

Dividend Policy

Dividend policy refers to management's decision regarding the allocation of corporate earnings, particularly whether profits should be distributed to shareholders as dividends or retained to finance future investment and business expansion. This decision reflects the company's financial priorities and management's expectations regarding future cash flows and profitability. Dividend policy is commonly evaluated using indicators such as the Dividend Payout Ratio (DPR) and Dividend Yield Ratio (DYR), which respectively describe the proportion of earnings distributed to shareholders and the return received by investors through dividend payments.

The relationship between dividend policy and firm value can be explained from different theoretical perspectives. Dividend signaling theory suggests that dividend payments convey information about management's expectations regarding future corporate performance. A stable or increasing dividend may be interpreted by investors as a positive signal of financial strength and sustainable earnings. Similarly, the *bird-in-the-hand* perspective argues that

investors may prefer certain current dividend income to uncertain future capital gains. Under this reasoning, higher dividend payments may increase investor confidence and contribute to a higher market valuation.

In contrast, dividend irrelevance theory argues that under perfect capital-market assumptions, dividend policy does not determine firm value because firm value is primarily driven by investment decisions and the company's underlying earning capacity. From this perspective, whether earnings are distributed as dividends or retained within the firm should not independently alter shareholder wealth when other conditions remain unchanged. These theoretical differences explain why empirical evidence regarding dividend policy and firm value is not always consistent.

Ajizah and Perdinusa (2022) found that dividend policy positively affects firm value, suggesting that greater dividend distribution may strengthen investor confidence. In contrast, Dewi and Suryono (2019) and Sapulette and Senduk (2022) reported that dividend policy does not have a significant effect on firm value. These contrasting results suggest that investors may not always regard dividend payments as the primary basis for assessing company value, particularly when they place greater emphasis on profitability, growth opportunities, or expected capital gains. Based on these theoretical arguments and previous empirical findings, the first hypothesis is formulated as follows:

H1: Dividend policy has a significant effect on firm value.

Debt Policy

Debt policy refers to a company's decision regarding the use of borrowed funds to finance operational and investment activities. Through debt financing, companies can obtain additional resources without issuing new equity, thereby supporting business expansion and long-term investment. However, the use of debt also creates fixed financial obligations in the form of interest and principal payments. Consequently, debt policy involves a trade-off between the potential benefits of financial leverage and the financial risks arising from excessive indebtedness.

The expected relationship between debt policy and firm value in this study is primarily explained through trade-off theory. This theory proposes that companies seek an optimal level of debt by balancing the benefits of debt financing, including tax advantages, against the costs associated with financial distress and bankruptcy risk. At an appropriate level, debt may increase firm value because the tax benefits and productive use of borrowed funds outweigh the associated costs. However, when leverage becomes excessive, the increasing probability of financial distress may reduce investor confidence and lower firm value.

This perspective differs from pecking-order theory, which focuses primarily on financing preferences rather than an optimal debt ratio. Pecking-order theory suggests that companies generally prefer internal financing, followed by debt, and issue new equity only when other financing sources are insufficient. Under this theory, a company's use of debt may reflect limited internal funds rather than an intentional effort to achieve an optimal capital structure. Thus, trade-off theory explains how the level of debt may affect firm value, whereas pecking-order theory helps explain why companies choose debt relative to other financing sources.

Pamungkas and Utityati (2022) found that debt policy significantly affects firm value, indicating that debt may contribute positively to company value when managed effectively. Similarly, Mujino and Wijaya (2021) explained that an appropriate capital structure may

improve firm value through a balance between financial risk and expected return. In contrast, Apriliyanti et al. (2019) argued that excessive debt may reduce firm value because higher leverage increases repayment pressure and financial risk. These findings indicate that the relationship between debt policy and firm value depends on the extent to which management is able to maintain an appropriate balance between the benefits and costs of debt financing.

Based on these arguments, the second hypothesis is formulated as follows:

H2: Debt policy has a significant effect on firm value.

Profitability

Profitability reflects a company's ability to generate earnings from the resources used in its business operations and serves as an important indicator of financial performance. A higher level of profitability generally indicates that the company is more efficient in utilizing its assets and managing its operations. Profitability can be measured using several financial ratios, including Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). In this study, profitability is represented by ROA because it reflects the company's ability to generate earnings from its total assets.

Profitability may also alter the way investors interpret corporate financial policies. In the relationship between dividend policy and firm value, companies with high profitability generally have a greater capacity to distribute dividends without severely limiting internal financing for future investment. Nevertheless, strong profitability may itself provide investors with a positive signal regarding company performance, thereby reducing their dependence on dividend payments as the main indicator of firm quality. Therefore, the relationship between dividend policy and firm value may differ depending on the level of profitability.

Sari et al. (2020) argued that profitability functions as a moderating variable in the relationship between dividend policy and firm value. This suggests that the market response to dividend decisions may vary between companies with strong and weak profitability. Based on this argument, the third hypothesis is formulated as follows:

H3: Profitability moderates the relationship between dividend policy and firm value.

The Moderating Role of Profitability

Profitability may also alter the relationship between debt policy and firm value. Companies with higher profitability generally possess greater internal cash-generating capacity and are therefore better positioned to meet interest and principal obligations. Under such conditions, investors may perceive debt as a productive financing instrument rather than as an excessive financial burden. Conversely, debt may generate stronger concerns regarding financial distress when profitability is low because the company's capacity to service its financial obligations becomes more limited.

Asril et al. (2021) found that profitability may strengthen the relationship between debt policy and firm value because highly profitable companies are generally more capable of managing debt efficiently and fulfilling their financial obligations. Strong profitability may therefore reduce investors' concerns regarding leverage and strengthen the potential contribution of debt financing to market valuation. Accordingly, the fourth hypothesis is formulated as follows:

H4: Profitability moderates the relationship between debt policy and firm value.

Previous Research

Previous studies examining dividend policy, debt policy, profitability, and firm value have produced mixed findings. Regarding dividend policy, Ajizah and Perdinusa (2022) reported a positive relationship with firm value, whereas Dewi and Suryono (2019) found no significant relationship. These contrasting findings indicate that dividend decisions may be interpreted differently depending on company conditions, investment opportunities, profitability, and investor preferences.

Previous findings regarding debt policy are also not entirely uniform. Pamungkas and Utiyati (2022) and Mujino and Wijaya (2021) reported that debt policy is significantly associated with firm value, suggesting that appropriate leverage may support market valuation. However, Apriliyanti et al. (2019) emphasized that excessive reliance on debt may reduce firm value because increasing leverage also raises financial risk and repayment obligations.

The inconsistencies in previous findings indicate that the relationships between dividend policy, debt policy, and firm value may not operate uniformly across companies. Profitability provides a relevant moderating factor because it reflects the company's ability to generate earnings and support both dividend distributions and debt obligations. A profitable company may be better positioned to distribute dividends, finance investment, and manage leverage, whereas similar financial policies may generate different market responses when profitability is weak. Accordingly, this study reassesses the relationships between dividend policy, debt policy, and firm value while examining profitability as a moderating variable in automotive and component companies listed on the Indonesia Stock Exchange.

Method

This study employs a quantitative explanatory approach using panel data to examine the relationships among dividend policy, debt policy, profitability, and firm value. A quantitative approach is appropriate because the study analyzes numerical financial data and evaluates statistically specified relationships among the variables (Sugiyono, 2023). The design is therefore treated as an explanatory panel-data study rather than a causal-comparative design, because the study does not apply a separate causal-identification strategy.

The study uses secondary data derived from the annual financial statements of automotive and component companies listed on the Indonesia Stock Exchange (IDX) during the 2017–2024 period. Data were collected through documentation and literature review. The independent variables consist of dividend policy (X1), proxied by the Dividend Payout Ratio (DPR), and debt policy (X2), measured using the Debt to Asset Ratio (DAR). Firm value serves as the dependent variable and is measured using Price-to-Book Value (PBV), whereas profitability, represented by Return on Assets (ROA), functions as the moderating variable.

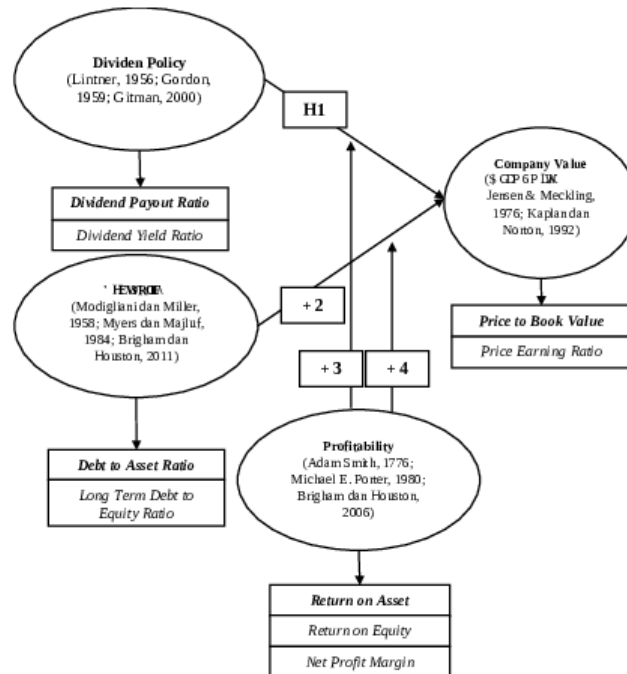


Figure 2. Research Design

Source: Data processed by the researchers, 2025.

The population comprised 17 companies in the Automotive and Component Subsector listed on the Indonesia Stock Exchange during the 2017–2024 period. Because not all companies met the research requirements, purposive sampling was applied based on predetermined criteria (Sugiyono, 2023). The criteria included companies that were consistently listed on the IDX throughout 2017–2024, regularly distributed dividends during the observation period, and continuously published complete financial statements. Based on these criteria, seven companies were selected, resulting in 56 firm-year observations.

Table 1. Operational Variables

No.	Variable	Measurement	Definition	Formula	Scale
1	Firm Value (Y)	Price-to-Book Value (PBV)	PBV reflects the extent to which the market appraises a company's equity relative to its book value.	$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$	Ratio
2	Dividend Policy (X1)	Dividend Payout Ratio (DPR)	DPR indicates the proportion of net income	$DPR = \frac{\text{Dividend per Share}}{\text{Net Income per Share}}$	Ratio

No.	Variable	Measurement	Definition	Formula	Scale
			distributed to shareholders in the form of dividends.	Earnings per Share	
3	Debt Policy (X2)	Debt to Asset Ratio (DAR)	DAR measures the proportion of total assets financed through debt.	$DAR = \frac{\text{Total Debt}}{\text{Total Assets}}$	Ratio
4	Profitability (Z)	Return on Assets (ROA)	ROA measures the company's ability to generate profit from its total assets.	$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$	Ratio

Source: Data processed by the researchers, 2025.

This study uses panel data, which integrate time-series and cross-sectional observations within a single analytical framework. The analysis was conducted using EViews 13. The analytical process begins with descriptive statistical analysis, followed by panel-data regression estimation using three alternative specifications: the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), as suggested by Napitupulu et al. (2021). The Chow test is used to compare CEM and FEM, while the Hausman test is used to determine whether FEM or REM is more appropriate. Diagnostic tests include normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Hypotheses are evaluated using the t-test and the coefficient of determination (R^2), while Moderated Regression Analysis (MRA) is used to assess the moderating role of profitability. The baseline panel-data regression model is specified as follows:

$$PBV_{it} = \alpha + \beta_1 DPR_{it} + \beta_2 DAR_{it} + \beta_3 ROA_{it} + \mu_i + \varepsilon_{it}$$

To test the moderating role of profitability, the MRA model incorporates interaction terms and is specified as follows:

$$PBV_{it} = \alpha + \beta_1 DPR_{it} + \beta_2 DAR_{it} + \beta_3 ROA_{it} + \beta_4 (DPR_{it} \times ROA_{it}) + \beta_5 (DAR_{it} \times ROA_{it}) + \mu_i + \varepsilon_{it}$$

where PBV_{it} represents firm value for company i in year t ; DPR_{it} represents dividend policy; DAR_{it} represents debt policy; ROA_{it} represents profitability; α is the constant; β_1 – β_5 are regression coefficients; μ_i represents the firm-specific effect; and ε_{it} represents the error term. The interaction terms are used to determine whether profitability changes the relationship between dividend policy and firm value and between debt policy and firm value.

Results and Discussion

Descriptive Statistical Analysis

Table 2. Descriptive Statistical Analysis

Statistic	DPR	DAR	ROA	PBV	DPRPBV	DARPBV
Mean	0.716366	0.359729	1.126594	0.069903	0.067123	0.019230
Median	0.450048	0.274494	0.770844	0.053544	0.023676	0.014067
Maximum	6.954298	0.826661	3.953178	0.227307	1.566137	0.057229
Minimum	-2.418522	0.092483	0.233649	-0.015339	0.000257	-0.010292
Std. Dev.	1.465558	0.207262	0.947358	0.066548	0.208718	0.017106
Observations	56	56	56	56	56	56

Source: EViews 13 data processing results, 2025.

Table 2 summarizes 56 firm-year observations covering seven automotive companies over eight years. Dividend policy (DPR) has a mean of 0.716366 and a relatively large standard deviation of 1.465558, with values ranging from -2.418522 to 6.954298. This wide dispersion indicates substantial differences in payout behavior across firms and years, including periods in which dividend payments were unusually high relative to earnings or were associated with negative earnings. Debt policy (DAR) has a mean of 0.359729 and a standard deviation of 0.207262, indicating meaningful differences in the extent to which assets were financed by debt. Profitability (ROA) shows a mean of 1.126594 and a standard deviation of 0.947358, suggesting considerable variation in firms' ability to generate returns from their assets. Firm value (PBV) has a mean of 0.069903 and a standard deviation of 0.066548, indicating heterogeneous market valuations across the sample. Overall, the dispersion in payout behavior, leverage, profitability, and valuation supports the use of panel-data analysis because both cross-firm and intertemporal differences are present in the data.

Estimation Model Selection

Chow Test

The Chow test is used to determine the most suitable panel-data regression model between the Fixed Effect Model (FEM) and the Common Effect Model (CEM). When the cross-section chi-square probability is below 0.05, FEM is preferred; when it exceeds 0.05, CEM is preferred.

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	33.283408	(6, 44)	0.0000
Cross-section Chi-square	95.858010	6	0.0000

Source: EViews 13 data processing results, 2025.

The Chow test produces a cross-section chi-square probability of 0.0000, which is below 0.05. Therefore, the Fixed Effect Model is preferred to the Common Effect Model, and the model-selection procedure proceeds to the Hausman test.

Hausman Test

The Hausman test is used to determine the more appropriate specification between the Fixed Effect Model (FEM) and the Random Effect Model (REM). A probability value below 0.05 supports FEM, whereas a value above 0.05 supports REM.

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	199.679422	5	0.0000

Source: EViews 13 data processing results, 2025.

The Hausman test yields a probability value of 0.0000, which is below 0.05. Accordingly, the Fixed Effect Model is selected as the most appropriate panel-data regression specification for this study.

Classical Assumption Tests

Normality Test

The normality test evaluates whether the regression residuals follow an approximately normal distribution. A regression model is generally considered to satisfy the normality assumption when the probability value exceeds 0.05 (Mardiatmoko, 2020).

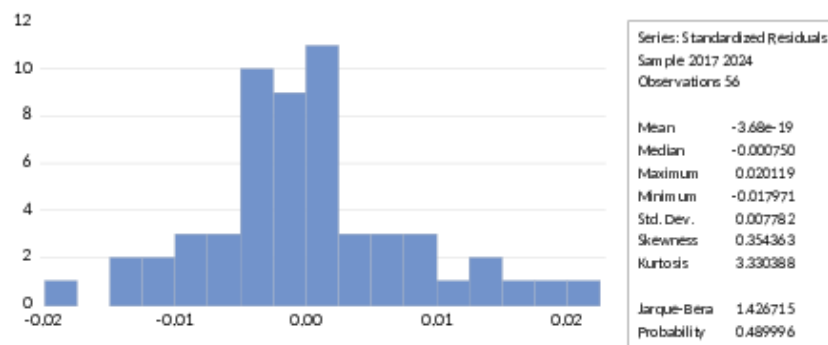


Figure 3. Normality Test

Source: EViews 13 data processing results, 2025.

The Jarque-Bera statistic is 1.426715 with a probability value of 0.489996, which is greater than 0.05. Therefore, the residuals do not provide evidence of a significant departure from normality, and the normality assumption is considered satisfied (Napitupulu et al., 2021).

Multicollinearity Test

The multicollinearity test assesses whether strong correlations exist among the explanatory variables. High correlations can distort coefficient estimates and make individual effects difficult to interpret (Dithania & Suci, 2022). In this study, a correlation coefficient above 0.90 is treated as an indication of a potential multicollinearity problem.

Table 5. Multicollinearity Test

Variable	DPR	DAR	ROA	DPRPBV	DARPBV
DPR	1.000000	-0.026587	0.258120	0.657258	0.114273
DAR	-0.026587	1.000000	-0.137290	-0.177857	-0.285705
ROA	0.258120	-0.137290	1.000000	0.348944	0.777926
DPRPBV	0.657258	-0.177857	0.348944	1.000000	0.303030
DARPBV	0.114273	-0.285705	0.777926	0.303030	1.000000

Source: EViews 13 data processing results, 2025.

All reported correlation coefficients are below 0.90. Based on the criterion applied in this study, the model does not indicate a severe multicollinearity problem (Napitupulu et al., 2021).

Heteroscedasticity Test

The heteroscedasticity test evaluates whether the variance of the residuals differs across observations (Ghozali, 2021). A model is considered free from heteroscedasticity under the Glejser test when the probability values of the explanatory variables exceed 0.05 (Anton et al., 2021).

Table 6. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.007059	0.003645	1.936815	0.0592
DPR	1.41E-05	0.000945	0.014877	0.9882
DAR	-0.008905	0.011296	-0.788287	0.4348
ROA	0.002797	0.002247	1.244608	0.2199
DPRPBV	-0.004491	0.005786	-0.776233	0.4418
DARPBV	-0.049463	0.100720	-0.491093	0.6258

Source: EViews 13 data processing results, 2025.

All probability values in the Glejser test exceed 0.05. Therefore, the regression model does not show evidence of heteroscedasticity based on the criterion used in this study.

Autocorrelation Test

The autocorrelation test is conducted to determine whether the regression residuals are serially correlated. Using the Durbin-Watson criterion, the model is considered free from autocorrelation when the Durbin-Watson statistic lies between dU and 4-dU.

Table 7. Durbin-Watson Statistic

Measure	Value
Durbin-Watson statistic	1.844943

Source: EViews 13 data processing results, 2025.

$$dU < DW < 4-dU = 1.7678 < 1.844943 < 2.2322$$

Because the Durbin-Watson statistic lies between dU and $4-dU$, the model does not indicate autocorrelation under the decision rule applied in this study.

Panel-Data Regression Equation

Based on the model-selection tests, the Fixed Effect Model is used for the panel-data regression estimation. The estimation results are presented in Table 8.

Table 8. Panel-Data Regression Equation Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.031359	0.006326	4.957043	0.0000
DPR	0.002290	0.001640	1.396565	0.1695
DAR	-0.077427	0.019606	-3.949083	0.0003
ROA	0.003328	0.003901	0.853285	0.3981
DPRPBV	0.003706	0.010043	0.368998	0.7139
DARPBV	3.159501	0.174815	18.07335	0.0000

Source: EViews 13 data processing results, 2025.

Based on Table 8, the estimated regression equation reported in the study is:

$$PBV = 0.031359 + 0.002290DPR - 0.077427DAR + 0.003328ROA + 0.003706(DPR \text{ interaction}) + 3.159501(DAR \text{ interaction}) + [CX = F]$$

The constant is 0.031359. The DPR coefficient is positive at 0.002290, whereas the DAR coefficient is negative at -0.077427. The ROA coefficient is 0.003328. The first interaction coefficient is 0.003706, while the second interaction coefficient is 3.159501. Because the model contains interaction terms, the main-effect coefficients should be interpreted conditionally: the marginal relationship between each financial-policy variable and firm value depends on the value of the moderator when the corresponding interaction term is included.

Hypothesis Test

Partial Test (t-Test)

The t-test is used to assess the statistical significance of each estimated coefficient. At a significance level of 5%, a probability value below 0.05 indicates statistical significance, while a value above 0.05 indicates that the coefficient is not statistically significant.

Table 9. Partial Test (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.031359	0.006326	4.957043	0.0000
DPR	0.002290	0.001640	1.396565	0.1695
DAR	-0.077427	0.019606	-3.949083	0.0003
ROA	0.003328	0.003901	0.853285	0.3981
DPRPBV	0.003706	0.010043	0.368998	0.7139
DARPBV	3.159501	0.174815	18.07335	0.0000

Source: EViews 13 data processing results, 2025.

1. Dividend policy (DPR) has a coefficient of 0.002290 with a t-statistic of 1.396565 and a probability value of 0.1695. Because the probability value exceeds 0.05, dividend policy does not have a statistically significant relationship with firm value in the estimated model.
2. Debt policy (DAR) has a coefficient of -0.077427 with a t-statistic of -3.949083 and a probability value of 0.0003. The relationship is therefore negative and statistically significant.
3. The first interaction term has a coefficient of 0.003706, a t-statistic of 0.368998, and a probability value of 0.7139. Because the interaction is not statistically significant, the evidence does not support a moderating role of profitability in the dividend policy–firm value relationship.
4. The second interaction term has a coefficient of 3.159501, a t-statistic of 18.07335, and a probability value of 0.0000. The positive and statistically significant interaction indicates that profitability significantly changes the relationship between debt policy and firm value.

Coefficient of Determination (R^2 Test)

The coefficient of determination evaluates the proportion of variation in the dependent variable explained by the model. The adjusted R-squared is particularly useful because it accounts for the number of predictors included in the model (Ghozali, 2021).

Table 10. Coefficient of Determination Test

Measure	Value
R-squared	0.986325
Adjusted R-squared	0.982906

Source: EViews 13 data processing results, 2025.

The Fixed Effect Model produces an adjusted R-squared value of 0.982906. This indicates that the variables and firm-specific effects included in the estimated model account for approximately 98.29% of the observed variation in firm value within the sample, while approximately 1.71% remains unexplained by the model.

Moderated Regression Analysis (MRA) Test

Moderated Regression Analysis is used to assess whether the relationship between an independent variable and the dependent variable changes according to the level of a moderating variable (Ghozali, 2021).

Table 11. Moderated Regression Analysis (MRA) Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.031359	0.006326	4.957043	0.0000
DPR	0.002290	0.001640	1.396565	0.1695
DAR	-0.077427	0.019606	-3.949083	0.0003
ROA	0.003328	0.003901	0.853285	0.3981
DPRPBV	0.003706	0.010043	0.368998	0.7139
DARPBV	3.159501	0.174815	18.07335	0.0000

Source: EVIEWS 13 data processing results, 2025.

Profitability (ROA) itself is not statistically significant at the 5% level ($p = 0.3981$). The first interaction term is also not statistically significant ($p = 0.7139$), indicating that profitability does not significantly moderate the relationship between dividend policy and firm value. In contrast, the second interaction term is statistically significant ($p = 0.0000$) and positive, indicating that profitability significantly moderates the relationship between debt policy and firm value. Thus, the moderating role of profitability is supported only for the debt policy–firm value relationship in the estimated model.

Dividend Policy and Firm Value

The results show that dividend policy does not have a statistically significant relationship with firm value. This finding indicates that changes in the Dividend Payout Ratio were not sufficient to explain differences in market valuation among the sampled automotive firms during 2017–2024. The result is consistent with the argument that investors may assess firm value using a broader set of information, including profitability, growth prospects, financing needs, and expected capital gains, rather than relying primarily on current dividend distributions. This interpretation is consistent with the dividend irrelevance perspective, which argues that, under restrictive assumptions, shareholder wealth is determined more fundamentally by investment and earning capacity than by the division of earnings between dividends and retained profits. The finding should therefore be interpreted as evidence that dividend policy was not a dominant valuation signal in this sample, rather than as evidence that dividends are unimportant in all settings.

Debt Policy and Firm Value

Debt policy has a negative and statistically significant relationship with firm value. This indicates that higher debt relative to assets is associated with lower market valuation in the estimated model. The result is particularly relevant for automotive companies because the

industry is capital intensive and requires substantial financing for production facilities, technology, inventory, and supply-chain operations. During and after the COVID-19 disruption, firms also faced changing demand, operating pressures, and financing requirements. Under these conditions, additional leverage can increase fixed financial obligations and perceived financial risk when the expected operating return is insufficient to compensate for the higher debt burden. Although Mujino and Wijaya (2021) and Apriliyanti et al. (2019) document the importance of debt policy for firm value, the negative coefficient in the present study suggests that investors in the sample were more sensitive to the risk side of leverage than to its potential financing benefits.

Dividend Policy and Firm Value with Profitability as a Moderating Variable

The interaction between dividend policy and profitability is not statistically significant. Therefore, the results do not provide sufficient evidence that profitability strengthens or weakens the relationship between dividend policy and firm value. This finding is broadly consistent with Anjarsari et al. (2023) and Sari et al. (2020), who reported that profitability did not strengthen the dividend policy–firm value relationship. One possible interpretation is that dividend information remained relatively uninformative for market valuation across firms with different profitability levels because investors may already incorporate earnings performance directly into their valuation decisions. In addition, automotive firms often retain substantial funds to support capital expenditure, technology upgrades, working capital, and post-pandemic operational adjustment. Consequently, a higher or lower payout ratio may not provide a consistent incremental signal once profitability and financing requirements are considered.

Debt Policy and Firm Value with Profitability as a Moderating Variable

The interaction between debt policy and profitability is positive and statistically significant, indicating that profitability changes the debt policy–firm value relationship. Because the direct coefficient of debt policy is negative while the interaction coefficient is positive, higher profitability makes the marginal relationship between debt and firm value less negative and potentially more favorable. This result is economically plausible in a capital-intensive industry: profitable automotive firms are generally better positioned to generate internal cash flows, meet interest and principal obligations, and use external financing for productive investment. Strong profitability can therefore reduce investor concern regarding leverage and improve the market's assessment of a firm's ability to manage financial obligations. The finding is consistent with Asril et al. (2021), who emphasized the role of profitability in shaping the relationship between debt policy and firm value. The result also highlights the relevance of the 2017–2024 observation period, which spans pre-pandemic conditions, severe operational disruption, and subsequent recovery, during which the ability to combine financing decisions with sufficient profitability was particularly important for automotive firms.

Conclusion

This study examines the relationships between dividend policy, debt policy, and firm value, with profitability as a moderating variable, among automotive and component companies listed on the Indonesia Stock Exchange during the 2017–2024 period. The findings show that dividend policy does not have a significant relationship with firm value, indicating

that dividend distribution is not the primary consideration used by investors in assessing the market value of the sampled companies. Debt policy, however, has a significant negative relationship with firm value, suggesting that higher leverage may increase perceived financial risk and reduce market valuation. Profitability does not significantly moderate the relationship between dividend policy and firm value, indicating that differences in profitability do not substantially change how investors respond to dividend decisions. In contrast, profitability significantly moderates the relationship between debt policy and firm value. The positive interaction indicates that stronger profitability can reduce the adverse implications associated with higher debt because profitable firms have a greater capacity to meet their financial obligations and utilize borrowed funds productively.

From a managerial perspective, automotive companies should manage leverage carefully because the capital-intensive nature of the industry requires substantial external financing while excessive debt may reduce firm value. Financial managers should therefore align additional borrowing with the company's earnings capacity, operating cash flows, and ability to service debt rather than relying on debt expansion alone to support growth. For investors, the findings suggest that debt levels should not be evaluated independently. Profitability should be considered alongside leverage because highly profitable firms are generally better positioned to manage financial obligations and absorb the risks associated with debt financing. Thus, the combination of profitability and debt capacity provides a more meaningful basis for assessing the financial resilience and market prospects of automotive companies.

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