



# Jurnal Riset Akuntansi dan Keuangan

Journal homepage: <https://ejournal.upi.edu/index.php/JRAK/>



## IOS, Company Growth, and Profitability to Firm Value Moderated By Dividend Policy

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### ABSTRACT

This study aims to quantify how IOS, growth, and profitability affect firm value while taking dividend policy into account as a moderator. Firm value is regarded as a crucial metric that shows how well a business can generate value for its investors. There are 27 samples of financial sector companies that have distributed dividends and are listed on IDX for 2020-2023 periods as samples. Data analysis using panel data linear regression and MRA methods through SPSS version 27 shows IOS correlates positively to firm value, while growth and profitability are not significant. Dividend policy is found to moderate the relationship between firm growth and firm value, but not IOS and profitability. This study will contribute an empirical study in financial literature and have implications for investors, corporate management, and capital market regulators.

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### INFO ARTIKEL

#### Article History:

Submitted/Received 01 Oct 2024

First Revised 01 Nov 2024

Accepted 01 Dec 2024

First Available online 07 Dec 2024

Publication Date 11 2024

#### Keyword:

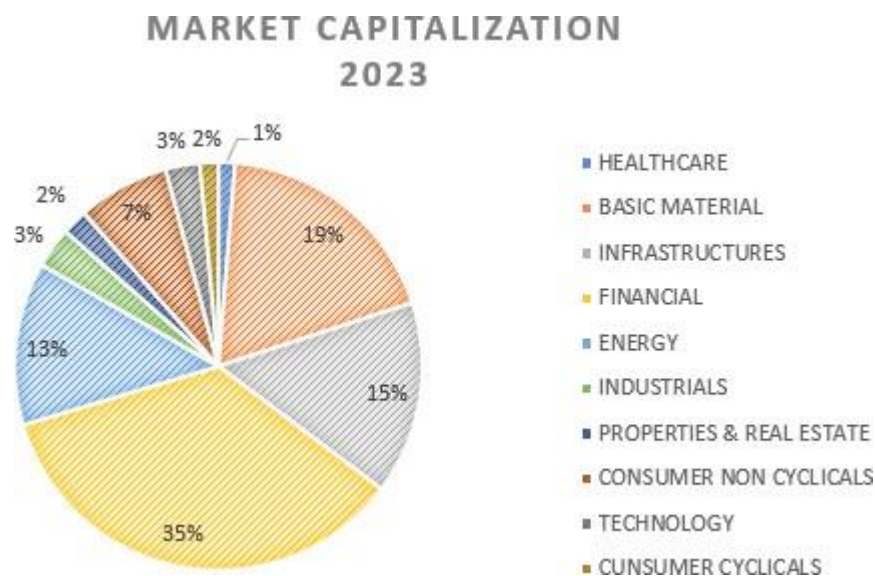
Company Growth, Firm Value,  
Dividend Policy, IOS,  
Profitability..

## 1. INTRODUCTION

In an increasingly competitive business world due to global economic dynamics, companies are required to continuously adapt. Current companies that still growing is around 2,557,523 further tightening the competition between companies (Kementerian Ketenagakerjaan, 2024). To reflect the company's success and define its share price, the most important benchmark is using the Firm value (Sujoko & Soebiantoro, 2007). Besides that, companies need to show good performance and also positive stock market conditions To convince investors (shareholders) (Harmono, 2022). This optimal company performance can be seen through high company value (Gurnita et., 2021).

One of the important sectors that remains efficient amidst various economic instabilities is the financial sector, as evidenced by the level of ratio of company profit (ROA) that has continued to increase for several consecutive years to reach 2.74 percent (OJK, 2024). Minister of Finance, Sri Mulyani, stated the importance of the financial sector as a driver of progress and development as well as the stability of the country (Kemenkeu.go.id, 2022). The stability of the sector is supported by the strong capitalization and good performance of various financial institutions (OJK, 2024).

Based on Market Cap data that compares with current market price conditions, the ranking of sectors that have the largest impact on market capitalization can be described as follows:



Source: Data processed by researchers from the Indonesia Stock Exchange, (2023)

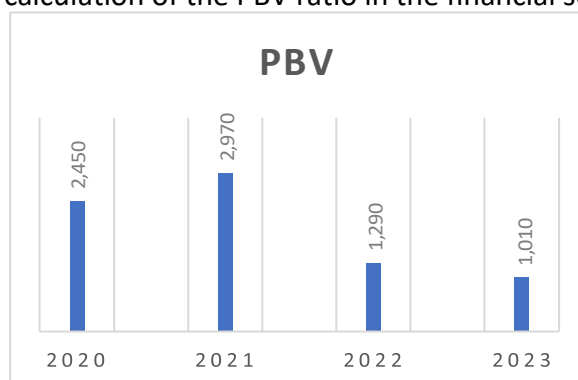
**Figure 1** Diagram of Market Cap on the Stock Exchange

Recorded in the IDX, the financial sector still ranks at the top of capitalization in the stock market in December, 2023. This sector has the highest contribution of 35% compared to other industrial sectors. This shows the importance of the financial sector as the main sector driving economic growth.

The financial sector that has a track record will be favored by investors so that they invest capital to buy these company stocks so it can increase company's worth (Hakim, 2019). This condition will create a positive cycle, where the value of the company that experiences an increasing rate will also interest more investors. Yunita et. al (2013), state that one of the ratios that can be used to measure company value compared to total equity is by calculating Price to Book Value (PBV).

PBV value illustrates that financial performance management is positively correlated with market valuation (Nini et al., 2020). Ikhsan et al. (2022), cite PBV is stated to be more stable

than the market price assessment which can influence investors in investing. Based on PBV measurement indicators, a good company has a PBV value  $> 1$  (Markonah et al., 2020). Figure 2 shows research on the calculation of the PBV ratio in the financial sector in 2020-2023.



Source: Data processed by researchers from the Indonesia Stock Exchange, 2020-2023

**Figure 2** PBV ratio of the financial sector in 2020-2023

From the data recorded on the IDX in 2020-2023 above, the PBV ratio in the financial sector has an average value of  $> 1$  which refers to companies that have a higher value than their book value. It is shown that in the 2020-2023 period PBV in the financial sector continued to decline. This condition worsened with the decline in the Composite Stock Price Index (JCI) in trading on the IDX by 0.56 percent at the level of 6,674.48 (Bprtaruna.com, 2023). Based on these conditions, there is a phenomenon gap that contradicts signal theory where information about the capitalization and impact of the financial sector to investors is not enough to provide a positive signal to increase firm value.

Signal theory by Michael Spence (1973), states that good businesses typically give the public access to clear financial information as an indication that the business is sound and worthy of investment (Selfiana & Fidiana, 2016). Information about this financial performance is obtained from the final results in a financial report (Harinurdin, 2023). The connection between stakeholders and corporate reputation simultaneously has a common signal that leads positively to the company (Aqueveque, 2005). With a positive company value, it will encourage a perception of good performance so it is expected that investors will invest in these shares (Harinurdin, 2023). Several factors affecting the company value include investment decisions, company growth, ratio of company profit and dividend policy

The relationship among Company's assessment and company's value can be influenced by several factors, one of which is the Investment Opportunity Cost (IOS) (Dharmawan & Riza, 2019). Kallapur & Trombley (1999), state that IOS determines the company's perspective which will provide an overview of future prospects so that the more choices the greater the benefits. Empirical research from several researchers states that IOS has a positive or one-way correlation with firm value as evidenced by research from Khoeriyah (2020), Afridi et al. (2022), Dharmawan & Riza (2019), and Ariyanti et al. (2022), which calculate the value of IOS from MVBVA. However, a research gap was found where Anggraini & Yan Nyale (2022), stated a negative relationship as evidenced by the t-test results which were less than 1.69. This negative relationship is also supported by Chabachib et al. (2020), who states the same thing. This condition shows the inconsistency of these factors.

Growing companies can also be an indicator in estimating its performance in order to heighten company worth (Prastyatini et al., 2024). The variable growth of this company is measured through growth that describes changes in company assets in a certain period (Ariyanti et al., 2022). This asset growth will give a signal to external and internal parties with the hope that it is directly proportional to the company's value (Dhani & Utama, 2017).

Previous research that states a positive relationship is Ariyanti et al. (2022), found that CG and firm value reciprocally influence.

In addition, company value is also measured through the profitability ratio which describes its performance that is considered good if they are able to achieve maximum profit (Wulanningsih & Agustin, 2020). Maximum profit reflects that the company can manage its resources and wealth effectively and efficiently (Suwardika & Mustanda, 2017). In addition, Nikmah & Amanah (2019), state that if the higher company's profit is obtained, it's in accordance with increment in stock prices which serve a strong signal for investors on company worth.

Dividend policy as a moderator to determine whether dividend distribution can establish or diminish relationship between independent variables on firm value. This policy refers to a form of corporate decision through dividend distribution that can be used for future investment (Rahmatina et al., 2022). Dividend policy is also a form of return to shareholders with an important role in influencing firm value (Hidayat et al., 2022). This supports the research of Ilyas & Hertati (2022), who states that there is a positive relationship that is directly proportional between dividend policy and firm value. In signal theory, firms, especially managers, get optimal data about company's prospects and operations that describe the company's performance and value. However, another Theory called "Dividend Irrelevance Theory" by Miller and Modigliani (1961) states that investors do not sufficiently focus on the amounts of dividends so dividend policy doesn't have significant implications for the company value intrinsic (Dasman et al., 2023). The findings of these theoretical differences, it is the basis for the dividend policy variable to be used as moderation in influencing the relationship between other indicators and measures of firm value.

Referring to previous studies and theory examines IOS, CG, and ratio of profit influence on firm value with dividend policy that moderate it in the 2020-2023 period, especially in the financial sector. By replicating the research of Ariyani et al. (2024), with a similar title, researchers add one company growth variable as a renewal where the application of company growth information well responded by investor so that it can increase stock prices which also affect company value (Chabachib et al., 2020). Similar findings are supported by Ariyanti et al. (2022), stating that their research is positively significant to the company's value. However, some differences are found in the Wulanningsih & Agustin's (2020) explain that company's growth is not consistent with the direction of the hypothesis and it's unable to significantly prove this factor. Hopefully, based on this study, it helps company owners and management to always prioritise IOS, company growth, and profitability on firm value and become the basis for investor consideration in seeing company value in investing.

## 2. METHODOLOGY

### Sample Data

This research uses quantitative methods that use secondary data using documentation techniques. Documentation technique is used to collect relevant data and information, especially secondary data from written sources, both in the form of report notes and documented sources. The data comes from IDX the annual report publication from 2020-2024 period with a population consisting of financial industries sectors listed and consistent on IDX. It uses purposive sampling by selecting certain types of samples that meet researcher criteria (Sekaran & Bougie, 2017). The criteria sample are:

**Table 1** Sample Criteria Used In The Study

Criteria Description	Amount
Companies from the financial industry sector that join and detect on IDX consistently during 2020-2023.	104
Companies from financial industry sector that do not publish and share consistently annual financial reports during 2020-2023	(4)
Companies from the financial industry sector that do not distribute dividends consistently during the period 2020-2023	(74)
<b>Selected Sample</b>	<b>27</b>

A panel data regression approach is used to combine data from numerous companies and time series data that have been collected throughout time (cross-section). The purpose of this panel data is to comprehend how one variable in a model relates to another. Based on the sample criteria, here the Financial Sector for the 2020-2024 period obtained 27 companies:

**Table 2** Sample of Companies in the Financial Sector

No.	Kode	No.	Kode	No.	Kode	No.	Kode
1.	ADMF	8.	BBRI	15.	BNGA	22.	PANS
2.	AMAG	9.	BBTN	16.	BNII	23.	SDRA
3.	ASBI	10.	BDMN	17.	BTPS	24.	SRTG
4.	ASDM	11.	BFIN	18.	LPGI	25.	TUGU
5.	ASRM	12.	BJBR	19.	MEGA	26.	VINS
6.	BBCA	13.	BJTM	20.	MFIN	27.	WOMS
7.	BBNI	14.	BMRI	21.	MREI		

Data processed and obtained from IDX in 2020-2023

### Methods of Data Analysis

Data is processed using quantitative descriptive analysis method with SPSS 27 application. This data analysis goes through several stages including describes statistical test, assumption testing, regression test, Moderated Regression Analysis (MRA), and hypothesis testing. In testing model on panel data regression, the following equation was formed:

$$PBV = \alpha + \beta_1 IOS + \beta_2 CG + \beta_3 ROA + e \quad (1)$$

$$PBV = \alpha + \beta_1 IOS + \beta_2 CG + \beta_3 ROA + \beta_4 DPR + e \quad (2)$$

Meanwhile, the test using the regression model moderated using the following model form:

$$PBV = \alpha + \beta_1 IOS + \beta_2 CG + \beta_3 ROA + \beta_4 (IOS * DPR) + \beta_5 (CG * DPR) + \beta_6 (ROA * DPR) + e \quad (3)$$

Where:

PBV : Firm Value  
 $\alpha$  : Constant  
 $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$  : Coefficient of Linear Regression  
 IOS : Investment Opportunity Set  
 CG : Company Growth  
 ROA : Profitability  
 DPR : Dividend Policy  
 $e$  : Error

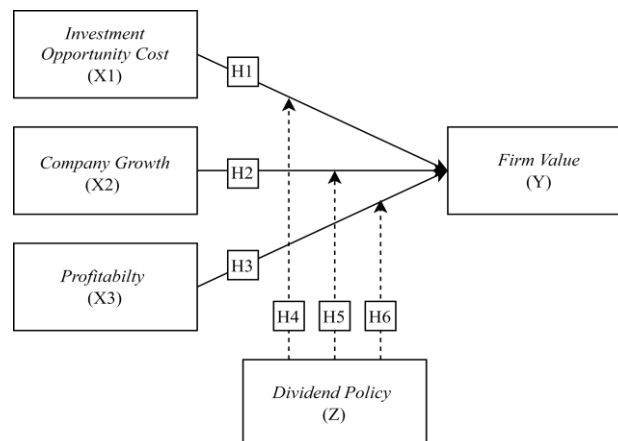
### Research Variables and Variable Operational Definitions

This study uses 3 variables, including firm value as dependent variable, the independent variable consists of 3 comparison variables including: IOS, Company Growth, and Profitability, and moderating variables in the form of dividend policy.

**Table 3 Operationalization of Variables**

Variables	Source	Ratio
Firm Value (Y)	(Hendratama & Huang, 2021)	$PBV = \frac{\text{Market Price Per Share}}{\text{Book Value Per Share}}$
Investment Opportunity Cost (X1)	(Smith & Watts, 1992)	$MBVE = \frac{\text{Total Aktiva} - \text{Total Equity} + \text{Total Share Outstanding} * \text{Closing Price}}{\text{Total Equity}}$
Company Growth (X2)	(Dewi & Endiana, 2022)	$\text{Growth} = \frac{(\text{Aktiva } t - \text{Aktiva } t - 1)}{\text{Aktiva } t - 1}$
Profitability (X3)	(Amelia & Sunarsi, 2020)	$ROA = \frac{\text{Net Income After Tax}}{\text{Total Aktiva}}$
Dividend Policy (Z)	(Musiega et al., 2013)	$DPR = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$

### Hypothesis Development



**Figure 3. Conceptual Framework**

### Investment Opportunity Set (IOS) Effect to Firm Value

When implemented, IOS gives a true image of the assets of the company, demonstrating its capacity to make investment choices that could pay off in the long run (Hutchinson & A Gul, 2006). According to signal theory, IOS will give owners, investors, and creditors a favourable signal perspective when evaluating a company through asset expansion, which will raise the firm's overall value (Khuzaini et al., 2017). Past studies, such as those conducted by Khoeriyah



(2020), Dharmawan & Riza (2019), and Ariyanti et al. (2022), have proven a positive relationship between ratio of investment opportunity (IOS) and firm value. According to the results, can be obtained several hypothesis:

H<sub>1</sub>: Investment Opportunity Set (IOS) has a positive impact to Firm Value.

#### **Company Growth Effect to Firm Value**

This company growth refers to changes in the amount of assets in the form of both additions and subtractions in a period compared to the previous period (Ariyanti et al., 2022). Furthermore, the augment of assets will present a good signal that the company can manage and maintain its performance, thus positively influencing the company's value in the market (Dhani & Utama, 2017). This is relevant to Chabachib et al. research's (2020), and Ariyanti et al. (2022) research's, shows positive impact on firm value, which indicates that company growth information attracts a good response from investors so it raises stock prices which also affect company's worth. Collinear with explanation and findings above, the following hypothesis is obtained:

H<sub>2</sub> : Company Growth has a positive effect to Firm Value

#### **Profitability Effect to Firm Value**

This level of profit is a performance indicator that shows the extent to which management policies and decisions are successful (Gurnita et al., 2021). Maharani (2020), emphasises that companies that can consistently increase profitability will attract investor interest ultimately, it reflecting the company's market value raise. Collinear with Ariyani et al. (2024), and Anggraini & Yan Nyale (2022) researchs, explain that profitability has a positive effect on firm value. This following hypothesis obtained:

H<sub>3</sub> : Profitability has a positive effect to Firm Value

#### **Investment Opportunity Set (IOS) Effect to Firm Value Moderated by Dividend Policy**

Anggraini & Yan Nyale (2022), suggest that by increasing dividend distribution, companies not only attract new investors but also increase sustainable funding sources. In their own research, they also explain that this increase in funding sources allows the company to make decisions on long-term investments that can significantly grow the business and increase the company's worth. Corresponding Ariyani et al. 's research (2024), stated that a dividend can moderately the relation between IOS and firm value. Regarding the cycle and research, the following research can be used to make a hypothesis:

H<sub>4</sub> : Dividend policy can moderate the effect of IOS to firm value.

#### **Company Growth Effect to Firm Value Moderated by Dividend Policy**

With moderator variables, it can show dividend policy ability strength or weaken company growth and firm value correlation. Ivani & Efendi (2024), emphasizes that company's choice to distribute dividends or not has direct implications for company's growth level. Moderation can weaken the two variables relationship, where companies that decide not to distribute dividends or decide to retain most of their profits will generally experience faster growth because these funds can be invested in development projects. Therefore, the decision to keep the profit will encourage the company's organic growth, in long-term it has a potential to raise the company's worth. It supported by Safitri & Suwitho (2015), and Ivani & Efendi (2024), that said distributing dividend moderates the relationship model. These findings proposed a hypothesis :

H<sub>5</sub> : Dividend policy can moderate the effect of company growth to firm value.

#### **Profitability Effect to Firm Value Moderated by Dividend Policy**

Addition policy as moderator can have an impact, where when profit has a high value, the value of dividend distribution will also be increased. This condition will provide a signal that can increase stock demand so that the company worth will be improved (Mauris & Rizal,

2021). Reinforced by the findings of Atiningsih & Izzaty (2021), which state that company profit ratio (ROA) and firm value relationship can be moderated by company's policy of distributing dividends. These research results obtained the following hypothesis :

H<sub>6</sub> : Dividend policy is able to moderate the effect of profitability to firm value.

### 3. RESULT

#### Descriptive Analysis Results

**Table 4.** Descriptive Analysis of Research Test Results

	Min	Max	Mean	Std. Dev
IOS	0,043	10,314	0,818	1,509
Company Growth	-0,889	8,870	0,182	1,031
Profitability	-0,208	8,428	0,223	0,893
Firm Value	0,059	4,914	1,246	0,978
Dividend Policy	-0,456	7,699	0,278	1,050
Valid (N) ( <i>listwise</i> )	108			

Sources : Output SPSS, processed data (2024)

This descriptive statistical test aims to measure the amount of data, the range of minimum, maximum, average value, and the STDEV of this research variables. Table 4 reflects the amount of data as the N value is 108 data consisting of IOS, Company Growth, Profitability, Company Value, and Dividend Policy. The IOS variable is calculated through the value of MBVE with min value 0.043 to and max value 10.314 where the avg value is 0.818 higher than the STDEV. value 1.509, which implies that variable data has a high data variation. High data distribution also occurs in the Company Growth variable with a min value -0.889 and max value 8.870 and an avg value 0.182 where the value is lesser than the parameterized STDEV. score 1.031. Likewise with the ratio of company profits avg. value is 0.223 with a larger deviation of STDEV 0.893 from the minimum score is -0.208 to 8.428. Meanwhile, the dependent variables or firm value measured using PBV value has a avg. value of 1.246 with lower STDEV. 0.978, implies that Data has less variation or homogeneous data distribution from a range of at least 0.059 to 4.914. The dividend policy variable avg value is 0.278 and STDEV of 1.050 with a minimum score -0.456 to 7.699 refers to data that is scattered with great variation.

#### Classical Assumption Testing

Normality testing using Kolmogorov-Smirnov test aims to describe normality distribution data through the significance value with the assumption that the data is distributed normally if the sig. value Asymp. Sig. (2-tailed) is above 0.05 (Stefani Marina Palimbong et al., 2022). Data testing from this study is presented with these result:



**Table 5** Normality Test Results

Unstandardized Residual	
N	108
Statistic Test	0,051
Asymp. Sig. (2-tailed)	0,200

Sourced : Output SPSS, processed data (2024)

Table 5 shows the residuals data value distributed normally when the output on the test has a sig. value higher than 0.05 with a value of 0.200. Likewise, it's assumes the regression model met the normal distribution.

Multicollinearity tests are used to ensure the relationship among independent variables through the Variance Inflation Factor (VIF) score. if  $VIF > 10$  and tolerance  $< 0.10$  then there are no multicollinearity symptoms in the data (Ebiwonjumi et al., 2023).

**Tabel 6** Test Results for the Existence of Multicollinearity Symptoms

Model	Tolerance	VIF
IOS	0,952	1,050
CG	0,987	1,023
ROA	0,508	1,968
DPR	0,506	1,976

Sourced : Output SPSS, data processed (2024)

Table 6 shows multicollinearity test results of the independent variables with a tolerance  $> 0.1$  and  $VIF < 10$  indicate there are no experienced multicollinearity symptoms in the data. Evidenced by the tolerance exceeding the 0.1 threshold with an IOS of 0.952; Company Growth of 0.987; Profitability of 0.508; and dividend policy value of 0.506. While the VIF value exceeds 10 including IOS of 1,050; Company Growth is worth 1,023; Profitability is worth 1,968; and Dividend Policy is worth 1,976.

The autocorrelation test is used to identify the presence of autocorrelation symptoms with the size of the confounding or residual variable error in period  $t$  with period  $t-1$  (Adare et al., 2015). Autocorrelation testing can be done by comparing Durbin-Watson values.

**Table 7** Test Results For the Presence of Autocorrelation Symptoms in Research

DW	DU	4-DU	Criteria
1,947	1,763	2,236	$DU < DW < 4-DU$

Sourced : Output SPSS, processed data (2024)

In this study using Durbin Watson testing where on Table 7, the Durbin Watson score is 1.947 from 108 samples. With 4 independent variables ( $k = 4$ ), a significance of 0.05 obtained DU worth 1.7637. Then the 4-DU calculation obtained 2.236 so that based on the Durbin Watson criteria with  $DU < DW < 4-DU$ , the regression model data here doesn't contain autocorrelation symptoms or  $1.7637 < 1.947 < 2.236$ .

Heteroscedasticity testing has the aim of comparing differences in research data (Pinontoan, 2013). One method is to use the Glejser test, where if the significance score is  $< 0.05$ , it can be concluded there is no heteroscedasticity.

**Table 8** Result Test For the Presence of Heteroscedasticity Symptoms in Research

Model	t	Sig.
IOS	0,857	0,393
CG	-0,246	0,806
ROA	-0,475	0,636
PBV	0,960	0,339
DPR	0,081	0,936

Sourced : Output SPSS, processed data (2024)

Table 8 shows the Glejser test result for the heteroscedasticity test where independent variables on the absolute value of the residual (RES2) obtained a sig value of more than 0.05. The value of IOS (0.393 > 0.05), CG (0.806 > 0.05), ROA (0.636 > 0.05), PBV (0.339 > 0.05), and DPR (0.936 > 0.05) which indicates there is no experience symptoms of heteroscedasticity.

#### Panel Data Regression Model

From panel data regression testing result, first equation of simple regression model obtained as follows:

$$PBV = 0.108 + 0.200 IOS - 0.031 CG + 0.061 ROA + e \quad (1)$$

From the regression test results, it's found that IOS has influence positively over PBV, where when the IOS value increases, it will increase the PBV value. Meanwhile, CG hurts PBV, which means it will decrease PBV value. Then ROA has a positive effect over PBV, which shows a unidirectional relationship between PBV value and ROA.

Meanwhile, from the second regression test result, here is the second regression test equation:

$$PBV = -0.256 + 0.214 IOS - 0.041 CG - 0.839 ROA + 1.129 DPR + e \quad (2)$$

With the addition of independent variables through the value of DPR, there is a change in relationship in the above equation. The second equation constant is negative, implying if the independent variable is zero, the dependent variable is minus. Then IOS and DPR have a positive relationship with the increase in PBV, while CG and ROA have a negative relationship with PBV.

#### Moderated Regression Analysis (MRA)

The third equation results based on moderation regression test are as follows:

$$PBV = 6,13 + 0,24IOS - 1,58CG - 1,01ROA + 0,11(IOS * DPR) - 2,15(CG * DPR) - 0,03(ROA * DPR) \quad (3)$$

From the MRA test results, the independent variable with a positive value is IOS, while CG and ROA have a negative relationship. It's collinear with a moderating effect of DPR, where IOS has a positive value so that it can increase PBV. Meanwhile, the moderating effect of DPR to CG and ROA is negative so it will reduce its influence on PBV.

#### Hypothesis Test

The coefficient of determination test aims in calculating the effect of the model in explaining the dependent variable. The indicator of this test is assessed using the Adjusted  $R^2$  value to avoid bias and determine a good regression model.

**Table 9** Coefficient of Determination Testing Result in Research

Model	R Square	Adj R Square	Information
1	0,194	0,162	Without Moderation
2	0,360	0,315	With Moderation

Sourced : Output SPSS, processed data (2024)

Table 9 shows the model ability to influence the dependent variable, named firm value proxied by PBV value through 2 models, namely with and without moderation. The first model without moderation consists of independent variables including IOS, Company Growth, and profitability which has a value of 16 percent. As for the second model using moderation, the Adjusted R Square value increases to 31.5 percent. Based on these conditions, there is an increase of 15.5 percent due to the addition of moderation variables, where the second model shows more accurate results in explaining the relationship between variables because the model value have more impact than the first model.

The goodness of Fit Model Testing (F Test) for measuring the regression accuracy model simultaneously fits in criteria or not. The measurement in this test assesses the model from the sig. value, the model is suitable if the value lesser than 0.05.

**Table 10** F Test Results in Research

Models		F	Sig.	Information
1	Regression Residual	8,134	< 0,001	Without moderation
2	Regression Residual	8,035	< 0,001	With moderation

Sourced : Output SPSS, processed data (2024)

Based on the F-test fit model test, both regression models both without moderation and with moderation have a significance value below 0.05 or 5 percent so both regression models are suitable for use in predicting the dependent variable or firm value.

T-test define how independent variable's ability influences the dependent one. Through a significance value criterion of 5 percent, that the basic criteria for decision-making are the sig. <0.05 implies that there is an influence among independent, moderating and dependent variables.

**Table 11** T-test results

Models		Unstandardized	Coefficients	Standardised	T	Sig.
		B	Std. Error	Coefficients		
1	IOS	0,200	0,058	0,329	3,470	<0,001
	CG	-0.031	0,273	-0,011	-0.113	0,910
	ROA	0,061	0,291	0,019	0,208	0,836
2	IOS*DPR	0,111	0,082	0,261	1,346	0,181
	CG*DPR	-2,157	0,378	-0,810	-5,703	<0,001
	ROA*DPR	-0,031	0,052	-0,273	-0,596	0,553

Sourced : Output SPSS, processed data (2024)

Table 11 shows t values on IOS is 3.470 which is positive while the significance score is below 0.001 that is smaller than 0.05, It implies IOS has positive effect to firm value or H1 accepted. CG t count score -0.113 with sig. score 0.910 or more than 0.05 indicates H2 is rejected or Ineffectively on firm value. The ROA variable t value is 0.208 and a sig. score 0.836 it's greater than 0.05, indicating that H3 is rejected or ROA ineffectively on firm value. For hypotheses with moderation, the IOS reaction is moderated by DPR on PBV where the t score is 1.346 with a sig. 0.181 more than the limit value 0.05, meaning that there is no effect so H4 is rejected. The DPR reaction in moderating CG on PBV obtained t score -5.703 it has negative value and significance <0.001 which shows moderation influences weakening the relationship between CG and PBV so that H5 is accepted. While the moderation of DPR on the relationship between ROA and PBV obtained a t score -0.596 and a sig. 0.553, H6 is also rejected because significance shows above 0.05.

#### 4. DISCUSSION

##### Investment Opportunity Set (IOS) to Firm Value Effect

This study found IOS either positively affects company value or the hypothesis is accepted. The two factors are directly correlated, meaning great investment potential, more precious the company will be for potential investors. According to signal theory, IOS gives a good indication of the company's potential for growth, which will raise stock price, a company's worth measurement (Suartawan & Yasa, 2017). An increase in IOS proxied through MBVE can see a company growing from the management of investment opportunities that have been compared to the capital it has. Those it can create the perception of greater returns from increasing assets in a certain period. This finding is in tune with Dharmawan & Riza (2019), IOS proxied through MBVE value has a positive influence on firm value. Meanwhile, IOS measured using MBVA Khoeriyah (2020), and Ariyanti et al. (2022), showed similar results with a positive connection direction.

##### Company Growth to Firm Value Effect

From hypothesis testing, the results are insignificant where the significance is above the threshold value of 0.05 or the hypothesis is rejected. Measurement through the growth value shows that asset growth of the financial section through research period was relatively low with minimum data of -0.889 while the average was 0.182 so it was unable to prove its influence on firm value. About theory, this condition explains that company growth is unable

to send signals as an assessment of company performance in increasing firm value. High company growth tends to require large funds so it cannot provide confidence that good performance increasing its company value (Chabachib et al., 2020). In tune with Wulanningsih & Agustin (2020) research, it states similar findings, where company growth has insignificant results in affecting firm value.

#### **Profitability to Firm Value Effect**

Company profit ratio on company value determined by significance score above 0.05, indicates that it is rejected based on research above. The financial sector's ROA ratio, which measures the ratio of company profit, had a low average of 0.223 during this time, compared to the average of other variables, which had a negative min value of -0.208. This figure illustrates that the connection between the two variables is not significant. This low level of ratio of company profit is unable to send a good signal to investors so it's unable to influence the perception of firm value (Prastyatini et al., 2024). Where based on signal theory states that investors have positive sentiments that can influence investment decisions from signals that indicate company value. Empirical testing in tune with these findings is evidenced by Prastyatini et al. (2024) research, where the ratio of company profit variable through ROE measurement does not affect firm value partially.

#### **Investment Opportunity Set (IOS) to Firm Value Effect Moderated by Dividend Policy**

In this hypothesis, shown dividend policy's presence as a moderator had no effect on the strength or weakness of IOS with regard to company value. The insignificant test findings, which have a value greater than 0.05, indicate that the dividend policy is unable to control the link between the two variables. demonstrates that the choice of whether or not to pay dividends cannot give an impact on investment prospects or company market value. When a business chooses to pay out dividends, it will have less money available for investments. As a result, the investment will not be as good as it could be, which will lower the company's worth (Suleiman & Permatasari, 2022). The study's findings run counter to signal theory, which holds that a company's dividend policy may provide investors good news about how the business will perform in the future. Nonetheless, this result is consistent with Miller and Modigliani (1961), according to the payout Irrelevance Theory, which holds that the creation of business value is unaffected by payout policy. This suggests that dividend policy is no longer the primary determinant of firm valuation because the capital market has been effective at processing information. Research by Hariyanti & Ubaidillah (2022), supports the aforementioned findings by claiming that dividend distribution can't minimise the IOS impact on enterprises value in property and real estate sector.

#### **Company Growth to Firm Value Effect Moderated by Dividend Policy**

This hypothesis is accepted since the aforementioned research's findings demonstrate that the moderator, can influence firm value and company growth connection. The inverse connection's direction is known from dividend policy's negative connection, it gives a suggestion that moderation may erode firm growth and firm value. The amount of dividends will cause increased spending on financing which has an impact on reducing company growth. While a growing company will focus on expansion activities, operations and investment for future expenses, the company will prefer to retain the profits earned rather than in the form of dividends (Ramma & Gunawan, 2023). Based on signal theory, moderation of dividend policy is not sufficient to moderate creating positive signals to investors in assessing new growth companies. Research that has similar findings is the research of Ivani & Efendi (2024), which explains that DPR is not able to be a significant factor in investor perceptions of firm value.

#### **Profitability to Firm Value Effect Moderated By Dividend Policy**

Since this research with a moderating impact shows that dividend policy has no impact on the connection between business valuation and ratio of company profit, the hypothesis is rejected. According to the significant value established by the aforementioned hypothesis test, the moderating reaction is considered insignificant because its value is more than 0.05. The presence of a dividend distribution policy, which uses the DPR size indicator, cannot raise the company's worth throughout periods of high or low ratio of company profit. This is due to the fact that a high dividend will lower profit, making it impossible for it to significantly impact a company's worth. Hidayat (2020), states that company investors will tend to focus on the profit that the company will generate compared to the value of its dividends. Contrary to signal theory, the existence of moderation is unable to provide a more powerful signal in increasing the level of firm value. The findings are in tune with Gurnita et al. (2021) research, that shows the same result.

## 5. CONCLUSION

According to the test, IOS significantly increases firm worth. The ability of the firm to manage its capital with a growing performance orientation and company value is demonstrated by an increasing IOS. However, it has not been demonstrated that firm value is significantly impacted by company growth. Growing companies typically incur high development and administration costs, making it impossible to guarantee that the company's worth is also high. Because ratio of company profit tends to be low throughout the era that researchers use, it cannot have a substantial impact on a firm valuation, that's why ratio of company profit on firm value shown to be non-significant. Companies that pay dividends or do not have enough implications for investment opportunities on the company's intrinsic valuation are those whose dividend distribution is unable to become a moderator for IOS on firm value. In cases where it has been demonstrated that dividend distribution will result in funding, which has consequences for slowing company growth, which is directly tied to company valuation performance, dividend policy can act as a moderator between firm value and company growth. It has been proven that distributing a dividend cannot moderate the ratio of company profit for company value. Dividend payments will lower earnings, so they will not affect the firm's worth.

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