

Improving Firm Value to Dividend Policy Evidence of Indonesia Public Company in Emerging Market

*Firm Value to
Dividend Policy
Evidence*

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ABSTRACT

Investors constantly aim for a rise in firm value and sustainability to ensure favorable returns on their capital investments. Nonetheless not every company issues dividends. This research seeks to investigate how dividend payments influence firm value, concentrating on 517 firms listed on the Indonesia Stock Exchange during the period from 2014 to 2023. Data was collected from secondary sources, particularly via annual reports released on the Indonesia Stock Exchange. The results show that policies regarding dividend payments greatly impact a company's value. Notably, the research indicates that businesses with reduced dividend payments often have a more substantial effect on firm value, while those with increased dividend distributions do not exhibit a significant impact. Additionally, the effects of dividend policies differ among various industrial sectors. For example, in the energy and non-cyclical consumer sectors, dividend distributions greatly influence firm value. In contrast, sectors like basic materials, industrials, and real estate do not show a statistically meaningful connection. These findings provide important insights for corporate leaders, indicating that regular and strategic dividend disbursements can cultivate investor confidence and allegiance. Consequently, this confidence from investors could foster the firm's long-term development and enhance its valuation in the capital market.

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Keywords: Dividend Payout, Dividend Policy, Emerging Market, Firm Value, Industrial Sector.

ABSTRAK

Investor selalu menginginkan peningkatan nilai perusahaan dan keberlanjutan untuk memastikan pengembalian yang menguntungkan atas investasi modal mereka. Meskipun demikian, tidak semua perusahaan menerbitkan dividen. Penelitian ini berupaya menyelidiki bagaimana pembayaran dividen memengaruhi nilai perusahaan, dengan fokus pada 517 perusahaan yang terdaftar di Bursa Efek Indonesia selama periode 2014 hingga 2023. Data dikumpulkan dari sumber sekunder, khususnya melalui laporan tahunan yang dirilis di Bursa Efek Indonesia. Hasilnya menunjukkan bahwa kebijakan mengenai pembayaran dividen sangat memengaruhi nilai perusahaan. Khususnya, penelitian menunjukkan bahwa bisnis dengan pembayaran dividen yang dikurangi sering kali memiliki dampak yang lebih substansial terhadap nilai perusahaan, sementara bisnis dengan distribusi dividen yang meningkat tidak menunjukkan dampak yang signifikan. Selain itu, dampak kebijakan dividen berbeda di antara berbagai sektor industri. Misalnya, di sektor energi dan sektor konsumen non-siklus, distribusi dividen sangat memengaruhi nilai perusahaan. Sebaliknya, sektor seperti bahan dasar, industri, dan real estat tidak menunjukkan hubungan yang bermakna secara statistik. Temuan ini memberikan wawasan penting bagi para pemimpin perusahaan, yang menunjukkan bahwa pencairan dividen yang teratur dan strategis dapat menumbuhkan kepercayaan dan kesetiaan investor.

Keywords: Pembayaran Dividen, Kebijakan Dividen, Pasar Berkembang, Nilai Perusahaan, Sektor Industri.

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INTRODUCTION

Dividend policy represents a critical decision for companies, determining how profits are distributed to shareholders or retained for reinvestment. This policy significantly influences investor perceptions of a firm's financial health and future prospects. Research by Chan and Lin (2017) and Seth and Mahenthiran (2022) highlights the pivotal role of dividends in shaping investor confidence, demonstrating that consistent dividend payouts often signal robust financial performance and positively affect stock prices. Similarly, Peña-Martel et al. (2023) found that companies in Spain with strong media reputations tend to maintain dividend distributions to uphold investor trust and corporate image. Additionally, Cave and Lancheros (2024) suggest that geographical factors influence dividend decisions, with firms in competitive regions more likely to pay dividends to align with local peers. Stereńczak and Kubiak (2022) and Liu and Lee (2022) further emphasize that dividend distributions can enhance stock prices and improve market sentiment, reinforcing the signaling power of dividends in conveying managerial optimism about future earnings.

Despite the extensive research on dividend policy, findings on its impact on firm value remain inconsistent, revealing a significant research gap. For instance, Dyussemin and Park (2024) argue that dividend payments may negatively affect firm value by limiting funds available for growth opportunities, particularly in firms with high investment needs. According to Minnick and Rosenthal (2014), companies with weaker corporate governance often reduce dividends to mitigate agency problems, suggesting that dividend cuts may not always harm firm value but instead address internal inefficiencies. Furthermore, Liang et al. (2023) and French and Naka (2013) indicate that firms prioritize profit maximization over dividend payouts, especially when institutional investors dominate ownership, as noted by Kent Baker and Kilincarslan (2019). These conflicting findings highlight the need to explore how dividend policies influence firm value across diverse contexts, particularly in emerging markets like Indonesia, where economic and sectoral dynamics may differ from developed markets.

The research gap is particularly evident in the limited focus on sector-specific effects of dividend policies in emerging markets. According to Alamsyah et al. (2020), ownership structure and capital dynamics significantly mediate the relationship between dividend policy and firm value, yet few studies have examined these effects across multiple industries in Indonesia. Similarly, Safitri et al. (2020) note that while dividend policies influence firm value in the Indonesian banking sector, their broader applicability across other sectors remains underexplored. This study addresses this gap by analyzing the impact of dividend payments on firm value across five key industrial sectors—energy, consumer non-cyclicals, basic materials, industrials, and property and real estate—listed on the Indonesia Stock Exchange (IDX) from 2014 to 2023. By incorporating a large sample of 507 dividend-paying companies, the research provides a comprehensive analysis of how dividend policies affect firm value, measured by the Price-to-Earnings Ratio (PER), and whether these effects vary across sectors due to differing financial strategies and market conditions.

The primary objective of this study is to investigate the relationship between dividend payout policies and firm value in the context of Indonesian public companies, with a specific focus on sectoral differences. By employing a fixed-effect panel regression model over a six-year period, the research tests whether dividend payments, particularly small versus large payouts, significantly influence firm value and whether these effects differ across industries. The study builds on prior work by Baker et al. (2021) and Theiri et al. (2023), which explored dividend payments but did not explicitly address their direct impact on firm value across diverse sectors in an emerging market. Additionally, the analysis considers control variables such as firm size, liquidity, and profitability to ensure robustness. The findings aim to offer valuable insights for corporate managers in designing dividend strategies that enhance investor confidence and firm valuation,

contributing to the literature on dividend policy in emerging markets and informing strategic financial decision-making in Indonesia's dynamic economic landscape.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Dividend Payment on Firm Value

Firm value, a key indicator of corporate performance, reflects the market's perception of a company's future earnings potential and sustainability, influencing investor decisions. According to Adiputra and Hermawan (2020), firm value is shaped by financial metrics like the Price-to-Earnings Ratio (PER), which compares a company's stock price to its earnings per share, signaling whether the stock is over- or undervalued. Dividend payments, measured by the Dividend Payout Ratio (DPR), play a critical role in shaping this perception by signaling financial health. Chan and Lin (2017) found that dividends positively influence investor confidence, as consistent payouts are interpreted as indicators of stable earnings, leading to higher stock valuations. Similarly, Seth and Mahenthiran (2022) demonstrated that dividend payments enhance firm value by conveying managerial optimism about future performance, aligning with signaling theory. However, Dyussembina and Park (2024) argue that excessive dividend payments may reduce firm value by limiting funds for growth, particularly in firms with high investment needs. This suggests that the size of dividend payments matters.

Small dividend payments are often viewed as sustainable, boosting investor trust without straining resources, as noted by Mazouz et al. (2023). In contrast, large dividend payments may raise concerns about financial flexibility, potentially weakening firm value in certain contexts (Chino & Kim, 2022; Hidayat & Khotimah, 2022). Empirical evidence also highlights the role of governance, with Baker et al. (2021) noting that strong ownership structures amplify the positive effects of dividends on firm value by mitigating agency conflicts. Additionally, factors like profitability, measured by Return on Equity (ROE), and liquidity, assessed by the Current Ratio (CR), influence how dividends impact valuation (Pangestuti et al., 2022). These findings underscore the complex relationship between dividend payments and firm value, shaped by payout size and internal financial dynamics.

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

H2: Small dividend payment has a significant effect on firm value.

H3: Large dividend payment has a significant effect on firm value.

Dividend Policy on Firm Value

Dividend policy, often quantified by the Dividend Payout Ratio (DPR), determines how firms distribute profits to shareholders, influencing firm value across different industrial sectors. According to Pinto and Rastogi (2019), dividend policies vary significantly by industry due to differences in capital needs, cash flow stability, and investor expectations, impacting how dividends affect firm value, measured by the PER. In sectors like Energy, dividends signal financial stability amidst capital-intensive operations, as noted by Sierpińska (2022), particularly during transitions to renewable energy. Consumer Non-Cyclicals, characterized by stable cash flows, use consistent dividend payouts to enhance investor confidence, thereby increasing firm value (Azmi & Bertuah, 2020). Conversely, capital-intensive sectors like Basic Materials and Properties & Real Estate often prioritize reinvestment over dividends, reducing their impact on valuation (Mahdzan et al., 2016).

Industrials, with diverse operational needs, may show mixed responses to dividend policies, as their value often depends on growth opportunities rather than payouts (Pinto & Rastogi, 2019). Signaling theory suggests that dividends convey information about future earnings, with stronger effects in sectors where stability is critical, such as Energy and Consumer Non-Cyclicals (Liu & Lee, 2022). Agency theory further explains that dividends reduce agency conflicts by limiting free cash flow, but this effect varies by sector due to differing governance structures (Baker et al., 2021). For instance, Tran (2020)

highlights that in emerging markets, where ownership concentration is high, dividend policies may have less impact in capital-intensive sectors like Properties & Real Estate. These sectoral differences suggest that the influence of dividend policy on firm value depends on industry-specific financial dynamics and market conditions, necessitating a tailored approach to dividend strategies.

H4: The behaviour of dividend policies between corporate sectors has differences in the company's value.

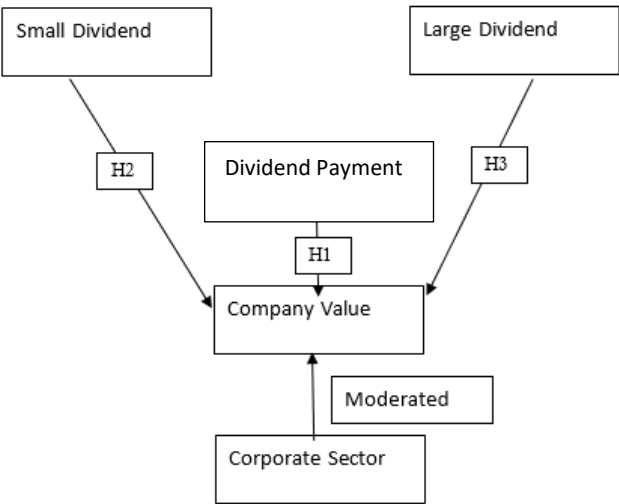


Figure 1. Framework

Figure 1 illustrates a conceptual framework that explains the relationship between dividend payout policy and firm value, as well as the moderating role of the firm sector. In this model, dividend payouts are divided into two categories, namely small dividends and large dividends, each of which is assumed to have a significant effect on firm value (H2 and H3). In general, dividend payouts are hypothesized to have an effect on firm value (H1). In addition, this framework also considers a moderating variable, namely the firm sector, which is assumed to be able to influence the strength or direction of the relationship between dividend payouts and firm value (H4). Thus, this model aims to test not only the direct effect of dividend policy on firm value, but also how the firm sector can strengthen or weaken the relationship.

RESEARCH METHOD

This study examines the impact of the dividend payout ratio on the value of companies that are offset by the price earnings ratio; This study uses a sample of 507 companies that distribute dividends in 5 sectors, namely the energy sector, consumer non-cyclists, basic material sector, industrials, property and real estate listed on the Indonesia Stock Exchange for the period 2014 to 2023. The data used is secondary data derived from the Annual Report published by the IDX. The reason for choosing 5 corporate sectors was to analyze how the impact of dividend payments on each different company sector and whether they have the same tendency on the value of companies in Indonesia.

The independent variable in this study is dividend payments, measured by the Dividend Payout Ratio (DPR). The dependent variable is Firm Value (FV), measured by the Price-to-Earnings (P/E) Ratio. Additionally, the control variables in this study include Firm size (SIZE), measures by total assets, Current Ratio (CR), Return on Equity (ROE) and EBITDA growth.

This study examines the impact of dividend policy on firm value, focusing on the Price to Earnings Ratio (PER) as the dependent variable. PER reflects how the market values a

company relative to its earnings performance. The main independent variable is the Dividend Payout Ratio (DPR), calculated by dividing dividends per share by earnings per share, indicating the portion of profits returned to shareholders. To ensure robustness, the analysis includes several control variables: firm size (SIZE), measured by the natural logarithm of total assets; Current Ratio (CR), reflecting liquidity by comparing current assets to liabilities; Return on Equity (ROE), assessing profitability from shareholders' capital; and EBITDA growth, capturing annual changes in operating performance. This combination allows for a comprehensive analysis of how dividend policy and internal company factors influence firm value (Table 1).

Table 1. Research Variable

Variable	Proxy	Definition
Dependent Variable Firm Value	PER	Stock Price by Earning per share
Independent Variable Dividend Payout Ratio	DPR	Dividend Payout Ratio = (dividend per share divided by earnings per share) x 100%
Control Variable		
SIZE	SIZE	Natural logarithm Total Asset
CURRENT RATIO	CR	Current assets/current liabilities
ROE	ROE	Net Income by Shareholders Equity
Growth EBITDA	Growth EBITDA	Growth EBITDA = $\frac{EBITDA_t - EBITDA_{t-1}}{EBITDA_{t-1}} \times 100\%$

To test the hypothesis of the effect of dividend payments on the value of companies as predicted by the price earnings ratio, a regression of panel data using a fixed effect model regression is used with the following equation:

$$FV_{it} = \beta_0 + \beta_1 DPR_{1it} + \beta_2 SIZE_{2it} + \beta_3 CR_{3it} + \beta_4 ROE_{4it} + \beta_5 GrowthEBITDA_{5it} + U_{it}$$

RESULTS

The study analyzes the distribution of companies across industries based on their Dividend Payout Ratio (DPR), dividing them into low and high DPR groups. Of the 507 companies sampled, a significant majority, 66.86%, are classified in the low DPR group, indicating a broad preference for conservative dividend policies among companies. The Consumer Non-Cyclicals sector stands out in the high DPR category, with 43.5% of its companies paying higher dividends, reflecting the strong and stable cash flow capabilities that characterize this sector. In contrast, the Property & Real Estate sector has the smallest share of high DPR companies at just 4.8%, while 23% of companies in this sector prefer low dividend payouts, likely due to the capital-intensive nature of real estate that requires reinvestment rather than distribution. The Basic Materials and Industrials sectors show a more balanced mix of dividend payout levels, indicating diversified financial strategies within these industries (Wooldridge, 2010). Meanwhile, the Energy sector shows moderate representation in both the low and high DPR groups. The data reveals clear differences in dividend policies across sectors, highlighting how industry-specific financial priorities and operational demands shape companies' dividend payout decisions.

From the data, it provides an overview of the financial characteristics of the full sample. The average Price to Earnings Ratio (PER) of 22.107 reflects substantial variability in firm valuations, as indicated by the large standard deviation (30.247). The average DPR of 32.808 indicates a moderate dividend policy among the sampled firms. Control variables such as total assets, current ratio, Return on Equity (ROE), and EBITDA growth also show wide dispersion, indicating diverse financial profiles of firms in the sample.

Table 2. Panel B Descriptive Statistics Low Dividend Payout Ratio

Variable	N	Mean	Median	SD	Min	Max
PER	339	20.508	13.612	27.894	1.918	295.973
DPR	339	22.911	19.923	15.73	0.169	99.84
T. ASSET	339	2.124e+10	5.581e+09	4.936e+10	1.338e+08	3.673e+11
CR	339	2.273	1.64	1.855	0.41	13.35
ROE	339	14.345	11.38	12.827	0.26	109.71
Growth EBITDA	339	24.12	10.89	72.555	-85.56	635.67

As shown in Table 2, firms with low dividend payout ratios have an average PER of 20.508, which is slightly lower than the full sample. ROE and EBITDA growth is also relatively lower in this group, suggesting that these firms may prefer retaining earnings for reinvestment and growth rather than distributing them as dividends.

Table 3. Panel C Descriptive Statistics High Dividend Payout Ratio

Variable	N	Mean	Median	SD	Min	Max
PER	168	25.334	15.083	34.372	3.217	257.183
DPR	168	52.779	49.156	16.233	32.84	99.828
T. ASSET	168	1.874e+10	6.258e+09	3.949e+10	2.738e+08	4.133e+11
CR	168	2.639	2.015	2.137	0.39	15.82
ROE	168	20.558	15.38	25.736	0.74	177.78
Growth EBITDA	168	16.559	7.305	50.492	-70.52	260.31

Table 3 reveals that firms with high dividend payouts have a higher average PER (25.334) than their low-DPR counterparts, indicating that investors may assign a higher valuation to firms with generous dividend policies. This group also records a higher average ROE (20.558), reflecting more efficient use of equity capital in generating profits. However, the average EBITDA growth is slightly lower, which may imply that firms prioritizing dividend payments tend to be less aggressive in pursuing expansion or reinvestment strategies.

Furthermore, to see whether there is an autocorrelation problem in each variable studied, Pearson correlation statistics are applied as the results as shown in the following table. Each variable has a small correlation value between the dependent and infrontal variables and the control variable, so it can be stated that there is no autocorrelation in the variables studied.

Table 4. Pairwise Correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)
(1) PER	1.00					
(2) DPR	0.12*	1.00				
(3) SIZE	-0.05	0.02	1.00			
(4) CR	0.02	0.01	-0.11	1.00		
(5) ROE	-0.08	0.17*	-0.05	-0.13*	1.00	
(6) Growth EBITDA	-0.05	-0.10	0.00	-0.10	0.24*	1.00

Table 4 presents the results of the Pearson correlation analysis among the variables used in the study, namely PER, DPR, SIZE, CR, ROE, and Growth EBITDA. The correlation values shown in the table are relatively small, both positive and negative, indicating no strong relationships among the variables. For example, the correlation between PER and DPR is 0.12 and statistically significant but still considered weak. The highest correlation is observed between ROE and Growth EBITDA at 0.24, which is also weak yet significant. Some negative correlations, such as between ROE and CR (-0.13) and SIZE and CR (-0.11), also indicate very weak relationships. Based on these results, it can be concluded that there is no significant problem of autocorrelation or multicollinearity among the variables studied. This indicates that each independent variable can be used in the regression analysis without compromising the validity of the estimation results.

To determine whether there is multicollinearity in this study, the VIF values were examined, and all variables were found to be below the threshold of 10. Therefore, it can be concluded that there is no multicollinearity. Similarly, the heteroscedasticity test results indicate homoscedasticity, meaning there is no heteroscedasticity problem in this study. Table 5 is a presentation of the results of the hypothesis test of the effect of dividend payments on the value of the company.

Table 5. Regression Results for Dividend Policy on Firm Value (Full Sampel)

Variable	(1)	(2)	VIF
Intercept	10.724*** (0.000)	44.632*** (0.000)	1.120
DPR	0.347*** (0.000)	0.264*** (0.001)	1.090
SIZE		-0.000 (0.339)	1.060
CR		-3.893*** (0.001)	1.040
ROE		-1.258*** (0.000)	1.020
GrowthEBITDA		0.029 (0.196)	1.070
R2_Overall	0.0137	0.0127	
N	507	507	
p-value	0.000	0.000	

Table 6. Regression Results for Low and High Dividend Payout Ratios

Variable	Low DPR (PER)	High DPR (PER)
Intercept	28.516*** (0.000)	36.176*** (0.002)
DPR	0.384*** (0.001)	-0.030 (0.829)
SIZE	-0.000 (0.999)	-0.000 (0.465)
CR	0.748 (0.644)	2.153 (0.261)
ROE	-1.381*** (0.000)	-0.599* (0.054)
GrowthEBITDA	0.054** (0.045)	-0.034 (0.481)
R2_Overall	0.0378	0.0133
N	339	168
p-value	0.000	0.054

Table 5 presents the results of two regression models examining factors that influence firm value, as measured by the Price to Earnings Ratio (PER). In Model 1, only the Dividend Payout Ratio (DPR) is included as an independent variable, which shows a positive and statistically significant effect on firm value (coefficient = 0.347, $p < 0.001$). This indicates that higher dividend payouts are associated with higher firm value.

Model 2 adds control variables such as firm size (SIZE), current ratio (CR), return on equity (ROE), and EBITDA growth (GrowthEBITDA). Here, DPR remains significant but with a slightly smaller coefficient (0.264, $p = 0.001$), confirming its positive impact on firm value. SIZE has an insignificant effect ($p = 0.339$), indicating that firm size does not significantly affect PER in this model. However, CR and ROE have negative and statistically significant coefficients (-3.893 and -1.258 respectively, both $p < 0.01$), indicating that higher liquidity and profitability are associated with lower PER values in this sample. GrowthEBITDA is not statistically significant ($p = 0.196$).

The Variance Inflation Factor (VIF) values for all variables are close to 1, indicating low multicollinearity and the predictors are not highly correlated. Both models only explain about 1.3% of the variation in firm value ($R^2 \approx 0.013$), indicating that other factors

outside these variables also affect PER. The sample size is 507 firms, and overall, the models are statistically significant (p-value = 0.000).

Table 6 presents that companies with a small dividend payment category, it has a positive and significant influence on the value of the company as measured by a price earnings ratio of 0.384 with a p-value (0.001); on the other hand, in the category of companies with high dividend payment has a negative effect of -0.030 and is not significant because it has a p-value (0.002). The reason why companies in the category of large DPR do not have a significant impact on the value of the company is due to the small number of companies that pay large dividends when compared to companies that distribute small dividends, so that they are not able to boost the value of the company.

Furthermore, this study will examine the impact of dividend payments on the value of companies in many different corporate sectors and whether they have the same tendency between one company sector and another, the test results can be seen in Table 7.

Table 7. Regression Results for Dividend Policy by Sector

Variable	Energy (PER)	Basic Materials (PER)	Industrials (PER)	Consumer Non- Cyclicals (PER)	Properties & Real Estate (PER)
Intercept	47.300* (0.056)	62.084*** (0.000)	44.454*** (0.000)	18.648** (0.044)	26.709*** (0.000)
DPR	0.629** (0.017)	0.257 (0.268)	0.038 (0.746)	0.188* (0.083)	0.034 (0.721)
SIZE	-0.000 (0.838)	0.000 (0.904)	-0.000 (0.879)	-0.000 (0.416)	-0.000 (0.712)
CR	-2.427 (0.766)	-11.022*** (0.000)	-5.025* (0.057)	4.842** (0.012)	-0.591 (0.468)
ROE	-2.642*** (0.000)	-1.607*** (0.009)	-0.748 (0.143)	-0.392* (0.095)	-0.647*** (0.003)
GrowthEBITDA	0.125** (0.019)	-0.044 (0.449)	-0.126 (0.172)	-0.083 (0.112)	0.034 (0.121)
R2_Overall	0.0921	0.0709	0.0453	0.0467	0.1282
N	68	115	73	165	86
p-value	0.000	0.000	0.024	0.000	0.011

Table 7 shows that energy sector companies have a positive coefficient of 0.629 with a value of $p < 0.05$, which means that the dividend payout ratio has a significant positive effect on the value of companies in the energy sector. Furthermore, for companies in the Basic Materials sector, the dividend payout ratio has a positive effect and is not significant because it has a coefficient value of 0.275 with a p-value of > 0.05 . For industrial sector companies that have a positive and insignificant influence on the value of the company, the company has a coefficient value of 0.0038 with a P value of 0.083, so it does not have a significant impact. Furthermore, the Consumer Non-Cyclicals sector has a significant influence at the level of 10 per cent with a coefficient value of 0.188. Companies in the Properties & Real Estate sector have a DPR coefficient of 0.354 with a p-value above 0.05, so it does not have a significant effect on the value of the company.

DISCUSSION

The results show that dividend payment policies significantly influence firm value ($\beta = 0.264$, $p < 0.01$), supporting signaling theory that views dividends as credible indicators of future performance (Jeong, 2018; Truong et al., 2023). Dividend announcements often lead to positive stock reactions, especially in firms with high information asymmetry (Truong et al., 2023). This relationship is stronger in larger and more profitable firms (Akhmadi & Januarsi, 2021; Ontorael et al., 2024; Purohit et al., 2025). However, some studies argue that dividend policy may not always affect firm value, aligning with dividend irrelevance theory and suggesting outcomes depend on market context (Safitri et al., 2020).

Further analysis reveals that small dividend payments significantly boost firm value ($\beta = 0.384$, $p < 0.01$), as they are seen as sustainable and reflect prudent financial management (Mazouz et al., 2023). Small payouts suggest lower risk and greater flexibility, while large dividends may limit reinvestment and increase risk (Chino & Kim, 2022). The impact of dividend size is also shaped by ownership structure, liquidity, and governance (Tran, 2025; Abor & Fiador, 2013). Although findings on the dividend–value link are mixed, small dividends generally enhance firm value by signaling financial stability, moderated by firm-specific and market factors (Sharma et al., 2017; Sharma, 2018).

Contrary to initial expectations, large dividend payments do not significantly affect firm value ($\beta = -0.030$, $p = 0.829$), leading to the rejection of the third hypothesis. This finding aligns with studies reporting mixed or insignificant effects of large dividends on firm valuation, where factors such as earnings growth and return on equity often exert stronger influence (Safitri et al., 2020; Grigorescu & Andrei, 2024). Investor concerns about potential financial strain and suboptimal capital allocation in firms issuing large dividends—especially smaller or higher-risk firms—may underlie these results (Ghose & Kabra, 2022; Mazouz et al., 2023). Additionally, moderating variables such as audit quality and liquidity have been shown to mitigate the negative impacts of dividend payouts on firm value (Bakri, 2021). Sector-specific evidence, notably in the banking industry, supports the dividend irrelevance theory both before and during the COVID-19 pandemic (Grigorescu & Andrei, 2024). These findings underscore the importance of tailoring dividend policies to firm-specific circumstances to maintain investor confidence and firm value.

The sectoral analysis reveals that the impact of dividend policy on firm value is not uniform across industries; it is significantly positive only in the energy ($\beta = 0.629$, $p < 0.05$) and consumer non-cyclicals ($\beta = 0.188$, $p < 0.10$) sectors, thereby supporting the fourth hypothesis. In the energy sector, firm value benefits from dividend policy due to factors such as leverage, profitability, and the need for restructuring amidst transitions to renewable energy (Sierpińska, 2022; Thirumagal & Vasantha, 2018). Similarly, in consumer non-cyclicals, stable dividend payouts serve as signals of financial health and are reinforced by firm size and leverage (Azmi & Bertuah, 2020). Conversely, in sectors like basic materials, industrials, and property & real estate, dividend policy shows no significant influence on firm value, often due to divergent capital structures and the limited signaling power of dividends in these industries (Mahdzan et al., 2016). These sector-specific differences underscore the importance of tailoring dividend policies to the unique characteristics and financial dynamics of each industry (Pinto & Rastogi, 2019).

CONCLUSION

This study finds that dividend payment policies have a significant positive impact on firm value, particularly when the dividends paid are relatively small. The analysis confirms that modest dividend payouts are perceived by the market as sustainable signals of sound financial management, which can enhance investor confidence and increase market valuation. Conversely, large dividend payments do not significantly influence firm value, suggesting that excessive payouts may not be perceived as financially prudent or growth-oriented by investors. Furthermore, the sectoral analysis reveals that the effect of dividend policy on firm value varies across industries: it is significantly positive only in the energy and consumer non-cyclicals sectors, while other sectors such as basic materials, industrials, and real estate show no significant relationship. These findings have important implications for corporate managers, indicating that a carefully calibrated dividend strategy, especially in sectors sensitive to dividend signals can serve as an effective tool for enhancing firm value. However, the study is limited to five industrial sectors listed on the Indonesia Stock Exchange and relies solely on the Price-to-Earnings Ratio to measure firm value, which may not capture all dimensions of valuation. Additionally, macroeconomic variables and external shocks such as economic crises were not accounted for, potentially affecting the robustness of the findings. Future research is

recommended to broaden the industry scope, incorporate alternative valuation metrics like Tobin's Q and PBV, and integrate macroeconomic factors to provide a more comprehensive understanding of how dividend policy affects firm value in emerging markets.

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