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Determinants of Company Value: Empirical Evidence from Consumer Goods Industrial Companies in Indonesia

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Abstract

Research Aims: Investors focus on a company's value before investing, which can benefit shareholders. This study, thus, investigates how factors like liquidity, debt, profits, growth, and investment opportunities affect a company's value, with dividend policy playing a role.

Design/Methodology/Approach: This study examined companies in the consumer goods industry listed on the IDX from 2018 to 2021. The authors collected data from 71 selected companies using purposive sampling. The analysis method employed was Moderating Regression Analysis (MRA).

Research Findings: The findings demonstrated that Debt to Asset Ratio (DAR), Return on Assets (ROA), and Investment Opportunity Set (IOS) strongly affected Price to Book Value (PBV) positively. However, Current Ratio (CR) and Growth did not significantly affect PBV. Additionally, the Dividend Payout Ratio (DPR) did not influence the relationship between CR, DAR, and Growth with PBV. Also, it did moderate the relationship between ROA and IOS with PBV.

Theoretical Contribution/Originality: The research findings contribute to our understanding of the factors that impact the market value of companies in the consumer goods industry listed on the IDX.

Practitioners/Policy Implications: It is crucial to examine specific variables that have a significant impact on PBV, while other variables may not play a vital role. This can help practitioners, academics, and investors make more informed decisions based on in-depth analysis of company performance and value.

Research Limitations/Implications: The limitations include limited panel data, a single industry focus, the absence of supportive data on individual company investment variations, and no consideration of industry risk, market policies, or investor preferences.

Keywords: Company Value; Growth; Investment Opportunity Set (IOS); Leverage; Liquidity; Profitability

Introduction

Companies are founded and operated with the purpose of generating employment opportunities, bolstering economic conditions, contributing to government revenue, and enhancing the quality of life within the community (Pustaka, Hariyanto, & Safitri, 2022). Another goal of forming a company is to generate profits for its owners and to bring prosperity to its shareholders. To support its operational activities, a company requires

funds, both internally and externally. Before making investments, investors typically analyze the company's financial health based on its market value. According to signaling theory, a company provides information related to its financial and non-financial aspects to enhance its market value. Here, the Price to Book Value (PBV) is a widely used benchmark for assessing a company's market value. It is calculated by dividing the stock price by the book value. A higher PBV signifies greater shareholder prosperity, which is a key objective for any company.

Further, assessing a company's health involves evaluating its capability to fulfill its commitments. Liquidity refers to the company's capacity to pay off its short-term obligations promptly (Ningsih & Sari, 2019). Nevertheless, previous research examining the effect of the Current Ratio (CR) on PBV showed conflicting results. Sondakh (2019) and Hermuningsih et al. (2019) proved that the Current Ratio (CR) had a positive and significant impact on PBV. In contrast, Tahu and Susilo (2017) and Ningsih and Sari (2019) found that CR had a positive but non-significant effect on PBV. Putri and Wiksuana (2021) and Sari and Seanda (2020) determined that CR had a negative effect and insignificant effect on PBV. This suggests that the impact of CR on PBV remains inconsistent.

Leverage is also used to assess a company's decisions regarding debt financing and its capacity to fulfill obligations to external parties in the short and long term. Research by Tahu and Susilo (2017) and Arifin and Fitriana (2021) concluded that leverage (DAR) had a negative effect and was significant on PBV. Ningsih and Sari (2019) stated that leverage exerted an insignificant and negative effect on PBV. Meanwhile, Suwardika and Mustanda (2017) and Markonah et al. (2020) found that DAR had a positive and significant effect on PBV. This indicates that the leverage's relationship with PBV remains varied. Moreover, the growth of a company's business can be affected by the level of profit it earns. Profitability measures a company's ability to generate profits from its operations. Dzulhijar et al. (2021) discovered that profitability did not have a significant effect on PBV. Tahu and Susilo (2017), Ningsih and Sari (2019), and Sondakh (2019) uncovered that profitability (ROA) had a positive effect and was significant on PBV. This denotes that profitability's correlation with company value still varies.

Additionally, investors' perceptions of a company are shaped by how well it maintains its economic standing. The growth ratio reflects a company's capability to sustain its position amid overall economic growth. Suwardika and Mustanda (2017) and Suryanandi (2018) showed that the value of the company's growth rate had a significant positive effect on PBV. On the other hand, Saputri and Giovani (2021) indicated that the growth of the company did not affect PBV. This suggests that the impact of the company's growth on PBV remains conflicting.

The role of financial management in decision-making also significantly influences a company's value. Investment Opportunity Set (IOS) is closely tied to achieving company objectives. IOS offers broader guidelines, wherein the company's value, as the primary goal, hinges on future company expenditures. These expenditures are made based on investment decisions aimed at yielding returns that enhance company value. Dharmawan and Riza (2019) and Sari and Budiarta (2016) observed a positive effect of IOS on

company value. However, Apriliyanti et al. (2019) found that the IOS did not affect company value. This denotes that the relationship between IOS and company value remains contrary.

Acting as a moderating variable, dividend policy impacts a company's financial performance and its value. According to the signaling theory of dividends, the level of dividend payments serves as a signal for companies to communicate information to external parties. Research by Tahu and Susilo (2017) suggests that higher dividend distributions signal better company performance, which in turn influences assessments of the company's performance. Additionally, studies by Dharmawan & Riza (2019) and Sondakh (2019) found that dividend policy, represented by the Dividend Payout Ratio (DPR), significantly and positively affected company value. Therefore, in this study, the focus is on consumer goods industrial companies due to their significant role in the country's economic growth, driven by population growth and increased consumer needs. This sector attracts investor interest, making it crucial to examine the effect of dividend policy on moderating the relationship between liquidity, leverage, growth, profitability, and IOS on the value of consumer goods industry companies listed on the Indonesia Stock Exchange.

Literature Review and Hypotheses Development

Signaling Theory

Signaling theory argues that any information disclosed by a company delivers a signal to investors, thereby impacting their investment decisions. Positive signals are responded to with positive reactions, while negative signals are received negatively. Investor evaluation is based on information provided by the company. According to Baker and Wurgler (2012) and Drover (2018), the signaling theory supports external parties in making investment decisions based on information provided by the company. Information disclosure holds significance for investors and business professionals as it essentially furnishes insights, reporting, or projections regarding the company's condition over time. This information is crucial for the company's sustainability, thereby influencing the company's value.

Company Value

Company value represents investors' perceptions of a company's optimal performance and success, often measured through stock price performance. This has an important meaning because it reflects investors' confidence in the company's financial performance, especially to generate dividends per share (Myers & Majluf, 1984). Ilaboya et al. (2016) describe company performance from a market perspective and reflect the assets and well-being of the company and its shareholders. High company value is highly desirable since it correlates with increased shareholder wealth. Investors seek it because it reflects stock market prices, encapsulating investment decisions, financing strategies, and asset management effectiveness. A high company value also fosters positive perceptions from external parties regarding the company's current performance and future potential.

Company value is denoted by Price to Book Value (PBV). A higher PBV signifies greater shareholder welfare.

Liquidity on Company Value

According to Sukamulja (2019), liquidity refers to a company's capability to settle its short-term obligations. High liquidity enhances the company's credibility, leading to positive investor responses. Signaling Theory supports the notion that liquidity can provide positive signals for investors. High liquidity signifies that a company has sufficient cash or assets readily convertible to cash to meet its short-term obligations. This reduces the risk of financial distress or default, which can lead to higher credit ratings and lower borrowing costs. As a result, investors perceive the company as less risky, which can increase demand for its securities and drive up its market value (Bai & Qin, 2015; Huang, 2024). Investors often view companies with high liquidity more favorably because they are seen as more stable and better positioned to weather economic downturns or unexpected financial challenges (Acharya et al., 2013; Tahu & Susilo, 2017). This positive perception leads to a higher valuation of the company's shares, as investors are willing to pay a premium share price due to the reduced risks associated with highly liquid companies. This aligns with the findings of Sondakh (2019) and Hermuningsih (2019), who used the Current Ratio to measure liquidity and identified it as a predictive variable of PBV. Based on theory and empirical findings, the authors propose the following hypothesis:

H₁: Liquidity has a positive effect on company value.

Leverage on Company Value

Leverage means using borrowed funds to boost a company's value. This involves taking on debt or loans to grow the business, with the goal of making more money than the interest paid on the borrowed funds. Leverage displays how much a company depends on borrowed funds to increase profits and overall value. However, too much leverage can lead to bankruptcy risk and investment losses. One major downside of leverage is increased financial risk. When a company borrows funds, it commits to regular interest payments and repaying the loan later. If the company's earnings drop or it struggles to generate enough cash to cover these payments, it may have trouble repaying its debt. This risk of default can lower the company's credit rating, raise borrowing costs, and ultimately reduce the company's value (Forte & Lovreta, 2023; Nachyła & Justo, 2024). Investors may view high levels of leverage as a sign of financial weakness or instability, particularly if the company is heavily reliant on short-term debt or has a precarious debt maturity profile. Concerns about the company's ability to manage its debt load and generate sufficient cash flow to meet its obligations may lead to a higher perceived risk and a lower valuation in the stock market (Forte & Lovreta, 2023; Jacobs & Rabinovitch, 2019). This can affect the value of the company and investors' decisions. In this study, leverage was measured using the ratio of total debt to total asset ratio (DAR). Findings by Bon and Hartoko (2022) and Hung et al. (2019) found that leverage reduces company

value, which means that the higher the leverage, the lower the company value. Based on the concept and empirical results, the hypothesis is formulated as follows:

H₂: Leverage has a negative effect on company value.

Profitability on Company Value

For investors, an increase in profits serves as a positive signal that the company is profitable and can provide returns to investors. Company profits generate positive cash flow from operations, which can be used to initiate company growth, pay dividends to shareholders, enhance the company's value (Arifin & Fitriana, 2021; Pristi & Anwar, 2022; Sheikh, 2022), reduce debt (Keefe & Nguyen, 2023; Memon et al., 2018), or invest in research and development (Beladi, Deng, & Hu, 2021). This strong cash flow generation enhances the company's financial flexibility and resilience, contributing to a higher valuation. Profitable companies can distribute dividends to shareholders. Dividend payments signal financial stability and can attract income-seeking investors who value regular income streams. The ability to pay dividends can enhance investor confidence and support a higher valuation for the company's stock. In this research, this ratio was measured using ROA. The higher the ROA, the greater the level of profit achieved by the company. Based on previous research, Bon and Hartoko (2022), Hung et al. (2019), Ningsih & Sari (2019), and Sondakh (2019) indicate that profitability plays a significant role in determining a company's value. When a company's profitability increases, it tends to have a positive effect on the company's overall value. This is because higher profitability signifies that the company is generating more earnings relative to its costs and investments. Based on the theoretical framework and empirical evidence, the following hypothesis is put forward:

H₃: Profitability has a positive effect on company value.

Company Growth on Company Value

The growth ratio provides insight into a company's capacity to sustain stable economic and financial conditions amidst growth in its business sector. Essentially, it measures how well the company can adapt and thrive in an environment of economic expansion within its industry. Growth typically involves increasing sales revenue or company assets (Hung et al., 2019; Rahayu, 2019). Higher revenue leads to increased cash flows, which can enhance the company's financial performance and attractiveness to investors. Growth often leads to economies of scale and operational efficiencies, which can result in improved profitability. As revenue grows, fixed costs are spread over a larger sales base, leading to higher margins and profitability.

Additionally, successful growth initiatives may lead to higher pricing power or cost savings, further boosting profitability and enhancing company value. High sales growth indicates better company growth and is expected to generate large returns (Oktavina &

Manalu, 2018; Wu & Au Yeung, 2012). The company's growth is determined by tracking changes in total assets. Asset growth is calculated by subtracting the total assets from the previous period from the total assets in the current period. Research conducted by Hung et al. (2019), Suwardika and Mustanda (2017), and Suryanandi (2018) revealed that the value of the company's growth level has a positive effect on company value. This means the higher the growth of the company, followed by the value of the company. On the basis of the concept and empirical findings, the following hypothesis is derived:

H₄: Growth has a positive effect on company value.

Investment Opportunity Set (IOS) on Company Value

Investment Opportunity Set (IOS) is used as a basis for determining future growth classification. Companies with high IOS have high growth opportunities, which will affect changes in profit levels and determine the quality of earnings information. Based on signaling theory, companies that provide positive signals will also be responded positively by investors. Companies with high IOS promise more returns in the future. A rich IOS often includes opportunities for revenue expansion, such as entering new markets, launching new products or services, or expanding existing product lines. These growth opportunities can drive top-line growth and increase the company's overall revenue, leading to higher cash flows and enhanced company value (Dharmawan & Riza, 2019; Hermuningsih et al., 2019). Companies with a promising IOS are also often viewed favorably by investors. Growth-oriented investors seek out companies with strong growth potential as they offer the opportunity for capital appreciation and higher returns (Dharmawan & Riza, 2019; Giriati, 2016). Positive investor sentiment and demand can drive up the company's stock price and market valuation, further increasing company value. In this study, IOS was measured using the Price to Earnings Ratio (PER). Previous research from Dharmawan and Riza (2019) and Sari and Budiarta (2016) uncovered that IOS had a significant positive effect on company value. Based on the concept and empirical results, the authors propose the following hypothesis:

H₅: Investment Opportunity Set has a positive effect on company value.

Dividend Policy

Dividend policy determines the portion of profits distributed to shareholders and the portion reinvested. It serves as crucial information for shareholders, creditors, and other external parties regarding their invested capital. Dividend policy is evaluated using the Dividend Payout Ratio (DPR) and acts as a moderating variable for the relationship between CR, DAR, ROA, GROWTH, PER, and PBV.

Dividend Payout in Moderating the Relationship between Liquidity and Company Value

The Dividend Payout Ratio (DPR) is derived from the percentage of shareholder dividends relative to the invested capital. It indicates how much of the company's earnings are distributed to shareholders as dividends compared to how much is retained for reinvestment. The DPR is expected to act as a moderating factor in the relationship between the current ratio and the value of the company. The dividend payout ratio directly affects a company's liquidity position. When a company pays out a larger portion of its earnings as dividends, it retains less cash internally. This reduction in retained earnings could potentially impact the company's liquidity, as it may have fewer funds available to cover short-term obligations or unexpected expenses. Therefore, a higher dividend payout ratio could lead to a decrease in the current ratio, indicating lower liquidity. The dividend payout ratio can also influence investors' perception of a company's financial health and stability (Seth & Mahenthiran, 2022; Sondakh, 2019). A consistent and moderate dividend payout ratio is often viewed positively by investors as it signals financial discipline and a commitment to returning value to shareholders. However, an excessively high payout ratio might raise concerns among investors about the company's ability to sustain dividend payments, particularly during periods of economic downturn or financial stress. This could lead to a decrease in investor confidence and a lower valuation of the company's stock. Research conducted by Fajaria (2018) and Mardiana et al. (2019) demonstrates that the dividend payout ratio moderates the relationship between liquidity and company value. The following hypothesis is postulated in light of the concept and empirical facts:

H₆: Dividend payout can moderate the relationship between liquidity and company value.

Dividend Payout in Moderating the Relationship between Leverage and Company Value

A higher dividend payout ratio often indicates that a company distributes a significant portion of its earnings to shareholders, leaving less retained earnings for internal investment (Biza-khupe, 2016; Seth & Mahenthiran, 2022; Sondakh, 2019). In contrast, a lower dividend payout ratio implies that the company retains more earnings, which can be used to reduce debt levels or strengthen the balance sheet. Therefore, companies with higher dividend payout ratios may have higher leverage due to limited internal funds available for debt repayment, while companies with lower payout ratios may have lower leverage, leading to different levels of financial stability and risk (Bon & Hartoko, 2022; Tahu & Susilo, 2017). Investors may perceive companies with lower leverage and higher financial stability more positively, resulting in a higher valuation. The dividend payout ratio can influence investor preferences and risk perceptions. Some investors prefer companies that pay consistent and high dividends, viewing them as reliable income generators. These investors may be willing to accept lower levels of leverage in exchange for steady dividend income, leading to a lower valuation for companies with high leverage and low dividend payouts (Fajaria, 2018; Jacobs & Rabinovitch, 2019).

On the other hand, other investors may prioritize capital appreciation and growth prospects over dividends, favoring companies with lower leverage and higher reinvestment of earnings. This preference can result in a higher valuation for companies with low leverage and high growth potential. Studies conducted by Fajaria (2018), Riska, Raza, and Zulfa (2020), and Tahu and Susilo (2017) have proven that the dividend payout could moderate the relationship between leverage and company value. Based on the concept and empirical results, the authors offer the following hypothesis:

H₇: Dividend payout can moderate the relationship between leverage and company value.

Dividend Payout in Moderating the Relationship between Profitability and Company Value

The DPR helps investors and stakeholders assess the company's financial stability, management decisions, and potential for long-term growth. A consistent and moderate dividend payout ratio may indicate to investors that the company is generating stable profits and has confidence in its ability to sustain earnings in the future. This positive signal can enhance stock valuation and increase investor confidence in the company (Denis & Osobov, 2008; Sondakh, 2019). Conversely, a high dividend payout ratio may signal that the company's profitability is at risk or that it lacks growth opportunities, potentially leading to a lower valuation. Investor preferences and risk profiles can also influence the relationship between the dividend payout ratio, profitability, and company value (Benavides, Preciado, & Perafan, 2016; Sheikh, 2022; Smith, Pennathur, & Marek, 2017). Some investors prioritize steady dividend income and are willing to accept lower growth prospects in exchange for reliable cash flows (Fajaria, 2018; Sheikh, 2022). These investors may assign a higher valuation to companies with high dividend payout ratios and stable profitability. Other investors may prioritize capital appreciation and growth potential and may favor companies with lower dividend payout ratios that reinvest earnings for growth. These differing investor preferences can lead to variations in company valuation based on the dividend policy and profitability profile. Research conducted by Arifin and Fitriana (2021), Pristi and Anwar (2022), and Rutin et al. (2019) demonstrated that the dividend payout moderates the relationship between profitability and company value. The hypothesis that follows is presented on the basis of the concept and empirical findings:

H₈: Dividend payout can moderate the relationship between profitability and company value.

Dividend Payout in Moderating the Relationship between Growth and Company Value

A lower dividend payout ratio implies that the company retains more of its earnings for reinvestment in growth opportunities, such as research and development, acquisitions, or expansion projects. This reinvestment can fuel future growth and enhance the company's long-term prospects, potentially leading to a higher valuation (Agarwal & Chakraverty, 2021; Kirch & Vancin, 2023). In contrast, a higher dividend payout ratio may

signal that the company is distributing a larger portion of its earnings to shareholders rather than reinvesting in growth, which could limit future growth potential and result in a lower valuation (Ali, Khurshid, & Chaudhary, 2021). The dividend payout ratio can influence investor expectations regarding a company's growth prospects. A lower payout ratio may signal to investors that the company is prioritizing growth and is confident in its ability to generate future earnings growth. This can attract investors who seek capital appreciation and are willing to accept lower dividend income in exchange for higher growth potential, potentially leading to a higher valuation.

On the contrary, a higher payout ratio may suggest that the company is more mature or has limited growth opportunities, which could lead to a lower valuation. Research conducted by Agarwal and Chakraverty (2021), Fajaria (2018), and Smith et al. (2017) demonstrated that the dividend payout moderates the relationship between growth opportunities in relation to company value. Drawing from the underlying concept and empirical findings, the subsequent hypothesis is developed:

H₉: Dividend payout can moderate the relationship between growth and company value.

Dividend Payout in Moderating the Relationship between Investment Opportunity Set and Company Value

The dividend payout ratio provides insight into how company management chooses to allocate earnings between dividends for shareholders and retained earnings for future investments. In essence, a lower dividend payout ratio suggests that the company is prioritizing reinvestment in its operations or expansion opportunities to create additional value for shareholders in the future (Suartawan & Yasa, 2016). Investor preferences for dividends versus capital appreciation can also affect the relationship between the dividend payout ratio, investment opportunity set, and company value (Giriati, 2016; Sari & Budiarta, 2016). Some investors may prefer companies with higher payout ratios and steady dividend income, particularly during periods of economic uncertainty or market volatility. These investors may assign a higher valuation to companies that prioritize dividend payments, even if it means eliminating some growth opportunities.

In contrast, other investors may prioritize capital appreciation and be willing to accept lower dividend payouts in exchange for higher growth potential. These investors may assign a higher valuation to companies with lower payout ratios that reinvest earnings for growth. Studies by Sari and Budiarta (2016) and Dharmawan and Riza (2019) prove that dividend policy can moderate the relationship between IOS and company value. Given the underlying notion and the evidence obtained from empirical research, the following hypothesis is posited:

H₁₀: Dividend payout can moderate the relationship between IOS and company value.

Figure 1 illustrates a research framework to explain the relationship between liquidity, leverage, profitability, growth, and IOS on company value with dividend payout as a moderating variable.

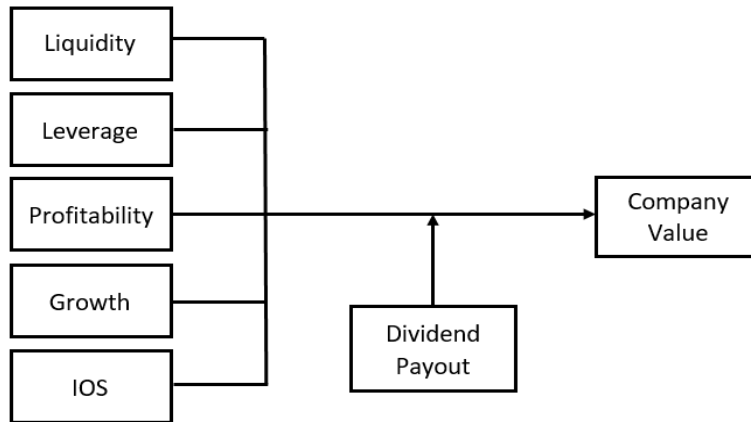


Figure 1 Research Framework

Research Methods

This study investigated the causality related to various financial performance metrics, including CR, DAR, ROA, GROWTH, and IOS, with DPR serving as a moderating variable. The study focused on companies in the consumer goods industry sector listed on the IDX. The sample criteria required companies to have continuously distributed cash dividends for four years, from 2018 to 2021. A total of 71 observations were used as samples in this research. The data analysis technique employed Panel Regression and Moderated Regression Analysis (MRA). The operational variables are explained more detail in Table 1.

Table 1. Operational Research Variables

Variables	Proxi	Formulations
Exogenous variable Firm value (PBV)	Price Book Value (PBV)	$PBV = \frac{\text{Market price per share}}{\text{Book value per share}}$
Endogenous variables Liquidity (CR)	Current Ratio	$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$
Leverage (DAR)	Debt to Assets Ratio	$DAR = \frac{\text{Total Debt}}{\text{Total assets}}$
Profitability (ROA)	Return on Assets	$ROA = \frac{\text{EBIT}}{\text{Total Assets}}$
Growth (GROWTH)	Growth	$\frac{\text{Total assets}_t + \text{Total Assets}_{t-1}}{\text{Total Assets}_{t-1}}$
Investment Opportunity Set (IOS)	Price Earnings Ratio	$PER = \frac{\text{Price per share}}{\text{Earnings per share}}$
Moderating variable Dividend Policy (DPR)	Dividend Payout Ratio	$DPR = \frac{\text{Dividends paid}}{\text{Net Profit}}$

The structural equation model developed in the research is as follows:

$$PBV = \alpha + \beta_1.CR + \beta_2.DAR + \beta_3.ROA + \beta_4.GROWTH + \beta_5.IOS + \beta_6.DPR + \beta_7.CR * DPR + \beta_8.DAR * DPR + \beta_9.ROA * DPR + \beta_{10}.GROWTH * DPR + \beta_{11}.IOS * DPR + e$$

Results and Discussion

Statistics Descriptive Results

This research was conducted to test the influence of CR, DAR, ROA, GROWTH, and IOS on company value (PBV) moderated by DPR. To find out the description of each exogenous, endogenous, and interaction (moderation) variable, Table 2 shows a description of the statistics to get an overview of the size of the variable data in general.

Table 1 Statistics Descriptive

Variables	Observations	Mean	Maximum	Minimum	Std. Dev.
CR (%)	71	2.49	5.11	0.73	1.25
DAR (%)	71	0.39	0.71	0.13	0.16
ROA (%)	71	10.18	42.38	0.10	8.68
GROWTH (%)	71	0.09	1.68	-1.00	0.26
IOS (%)	71	20.41	66.35	-1.35	12.96
DPR (%)	71	0.53	1.62	0.00	0.37
PBV (%)	71	3.86	28.87	0.34	5.16
CR*DPR (%)	71	1.34	5.10	0.00	1.13
DAR*DPR (%)	71	0.20	0.95	0.00	0.19
ROA*DPR (%)	71	6.71	42.45	0.00	9.62
GROWTH*DPR (%)	71	0.04	0.74	-0.42	0.11
IOS*DPR (%)	71	10.80	44.77	-2.13	10.65

Based on Table 1, the average values of each variable indicated good company performance in terms of CR, DAR, ROA, GROWTH, and IOS. The current ratio value was 2.49 or 249%, denoting that the companies had sufficient current assets to pay their current liabilities more than twice as much. This is a positive indication as it displays a high level of liquidity, meaning the company has enough resources available to meet its short-term obligations. Then, the DAR value of 0.39 signifies that the company had relatively low debt compared to its total assets. The ROA value of 10.18 means that the company generated a profit of 10.18% of its total assets. GROWTH refers to the company's growth rate over time. The figure of 0.09 implies that the company has experienced a growth rate of 0.09%, which may indicate stable but not excessively rapid growth. In addition, IOS is a concept used in financial analysis and investment management to measure how many profitable investment opportunities a company has. The average value of IOS was 20.41, suggesting that, on average, the bank or investment portfolio being analyzed offers numerous investment opportunities with the potential to yield good returns.

The Selection of Panel Data Regression Model Estimation

The selection of the panel data regression model aimed to determine the appropriate model based on the research objectives. Panel data model estimation employed three models: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Based on the characteristics of the data, testing processes can be used as tools in selecting the panel data regression model, including the Chow Test, Hausman Test, and Lagrange Multiplier Test. The Lagrange Multiplier Test was used to choose the best model between REM and CEM for panel data regression. The results of the panel data model estimation are presented in Table 3.

Table 2 Chow Test and Hausman Test Results

Chow Test			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.521399	(19.40)	0.0004
Cross-section Chi-square	69.798385	19	0.0000
Test Summary			
	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	30.823052	11	0.0012

In Table 2, the estimation results indicate using the Fixed Effect Model. Specifically, the Chow Test results showed a probability value of 0.0004, less than 0.05, indicating the Fixed Effect Model was the most appropriate. Similarly, the Hausman Test revealed a probability of cross-section random as 0.0012, also below 0.05, supporting the choice of the Fixed Effect Model. Since the results confirmed the Fixed Effect Model as the appropriate estimation model, the Lagrange Multiplier Test was not performed.

Hypothesis Testing Results

Moderating Regression Analysis (MRA) was employed to measure the probability of the influence between the variables CR, DAR, ROA, GROWTH, IOS, CR*DPR, DAR* DPR, ROA*DPR, GROWTH*DPR, and IOS*DPR on the variable PBV. Hypothesis testing was conducted using the F-test and t-test. The F-test was performed to show how the independent variables influenced the dependent variable simultaneously. If the probability value is < 0.05, it can be concluded that the endogenous variables can significantly influence the exogenous variables simultaneously. Following that, the t-test was conducted to demonstrate how the variables CR, DAR, ROA, GROWTH, IOS, CR*DPR, DAR* DPR, ROA*DPR, GROWTH*DPR, and IOS*DPR could explain the variable PBV. If the probability value is < 0.05, it can be said that the hypothesis is accepted, and it can be concluded that the exogenous variables can affect the endogenous variable. The results of hypothesis testing with MRA are revealed in Table 3.

Table 3 Moderating Regression Analysis (MRA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.510865	0.419179	-3.604348	0.0009
CR	-0.354034	0.352608	-1.004046	0.3214
DAR	-1.404422	0.370623	-3.789360	0.0005
ROA	0.161609	0.095268	1.696361	0.0976
GROWTH	0.471537	0.476264	0.990074	0.3281
IOS	0.027185	0.007304	3.722143	0.0006
DPR	0.059366	1.142353	0.051968	0.9588
CR*DPR	0.022351	0.219611	0.101777	0.9194
DAR*DPR	1.326290	1.663884	0.797105	0.4301
ROA*DPR	0.036657	0.010163	3.606751	0.0009
GROWTH*DPR	-0.945441	1.097624	-0.861352	0.3942
IOS*DPR	-0.025300	0.011076	-2.284217	0.0277
Effects Specification				
R-squared	0.977312			
Adjusted R-squared	0.560297			
Prob(F-statistic)	0.000000			

Table 3 shows that the variables DAR and IOS had probability values of 0.0005 and 0.0006, respectively, which are smaller than the significance level $\alpha = 0.05$. This indicates that the DAR and IOS variables significantly affected the company's value proxied by the price-book value (PBV). This means that hypotheses 2 (H2) and 5 (H5) were accepted. These results differ for the variables CR, ROA, and GROWTH, which had probability values of 0.3214, 0.0976, and 0.3281, respectively, which are greater than the significance level $\alpha = 0.05$. This indicates that CR, ROA, and GROWTH did not significantly affect the company's value proxied by PBV. Table 4 can be interpreted as H1, H3, and H4 being rejected.

Based on Table 3, the results of the MRA test also have proven that DPR plays a role in moderating the relationship between ROA and IOS on PBV. This is indicated by probability values of 0.0009 and 0.0277, respectively, which are smaller than the significance level $\alpha = 0.05$. These results also confirm that H8 and H10 were accepted. However, different results exhibited that DPR did not play a role in moderating the relationship between CR, DAR, and GROWTH on PBV. This is shown by probability values of 0.9194, 0.4301, and 0.3942, respectively, which are greater than the significance level $\alpha = 0.05$. These results also verify that H6, H7, and H9 were rejected.

Furthermore, the F-test results indicate $\text{prob}(F\text{-statistic}) = 0.0000$, which means that the variables CR, DAR, ROA, GROWTH, IOS, CR*DPR, DAR* DPR, ROA*DPR, GROWTH*DPR, and IOS*DPR collectively influenced PBV. The Adjusted R-squared value was 0.560297, indicating that the variables CR, DAR, ROA, GROWTH, IOS, CR*DPR, DAR*DPR, ROA*DPR, GROWTH*DPR, and IOS*DPR could predict PBV by 56.0297%, while 43.9703% was influenced by other unexamined variables.

Discussion

The effect of liquidity on company value

The results indicate that liquidity, as measured by the current ratio, does not significantly affect a company's value, as specified by the Price-to-Book Value (PBV) ratio. There could be several reasons that investors may not consider liquidity as a primary determinant of a company's value. While liquidity is important for financial stability and short-term solvency, investors may focus more on factors such as profitability, growth potential, market position, and competitive advantage when evaluating a company's long-term value. As a result, changes in liquidity levels may not have a significant impact on the company's perceived value by investors.

These results are contrary to research conducted by Ningsih and Sari (2019) and Sondakh (2019), which stated that liquidity has a positive effect on company value. This gap may arise due to differing financial policy and capital structure. Companies may have different financial policies and capital structures that influence the relationship between profitability and company value. For example, companies with conservative financial policies may prioritize profitability and cash flow generation to maintain financial stability and flexibility, leading to higher valuations. In contrast, companies with aggressive growth strategies may prioritize revenue growth over current profitability, potentially resulting in lower valuations despite strong growth prospects.

The effect of leverage on company value

The results demonstrate that leverage (DAR) has a significant positive effect on the company's value (PBV). Leverage is a measure used in financial analysis to assess the extent to which a company uses debt or loans to finance its operations. Financial leverage involves the use of debt to magnify the potential return on a company's investment. This can include bank loans, bonds, or other financing sources that require the company to pay interest or dividends. The higher the level of financial leverage a company has, the greater the potential return (profit), but also the greater the financial risk due to the interest or dividend obligations that must be paid. Financial leverage can have a significant impact on a company's value, depending on how the company manages its debt and how the market values it. If a company can use debt wisely to generate a higher return on investment than its debt costs, the company's PBV can increase. This means the company is creating added value for shareholders.

This result aligns with the findings of Markonah et al. (2020) and Suwardika and Mustanda (2017). However, it differs from the findings of Tahu and Susilo (2017) and Ningsih and Sari (2019), who discovered that leverage has a significant negative effect on company value. This occurs when a company accumulates a high level of debt, and the return on investment is insufficient to cover the cost of debt, resulting in a negative impact on PBV. High debt levels can lead to substantial interest expenses, reducing a company's net income and thereby lowering book value.

The effect of profitability on company value

The results exhibit that profitability, as determined by the return on assets, does not significantly affect a company's value, as indicated by the Price-to-Book Value (PBV) ratio. There could be several reasons that investors may prioritize factors other than profitability when evaluating a company's value. The quality of earnings, rather than just the level of profitability, can impact a company's value. Suppose investors perceive that a company's reported profits are not sustainable or are artificially inflated due to accounting irregularities, one-time events, or aggressive accounting practices. In that case, they may discount the relevance of profitability metrics such as ROA in assessing the company's value. Instead, investors may focus on measures of earnings quality, such as cash flow from operations, to gauge the company's financial health and value.

These results are contrary to research conducted by Arifin and Fitriana (2021), Rutin et al. (2019) and Hung et al. (2019), which revealed a positive correlation between profitability and company value. Specifically, as profitability increases, there is a corresponding increase in the company's value. This implies that a higher level of profitability contributes positively to the overall company's value.

The effect of growth on company value

The results denote that growth opportunities do not significantly affect a company's value, as shown by the Price-to-Book Value (PBV) ratio. These several factors could contribute to this outcome, including investors that may have different perceptions and expectations regarding the impact of growth opportunities on company value. While growth opportunities are often seen as a driver of future earnings and value creation, investors may discount the significance of growth if they perceive that the company's growth prospects are uncertain, not aligned with market trends, or not supported by a credible strategy for execution. If investors have low confidence in the company's ability to capitalize on growth opportunities effectively, they may not assign a premium to the company's stock based on growth potential alone.

This research is not aligned with research conducted by Hung et al. (2019), Suryandani (2018), and Suwardika and Mustanda (2017), which has proven that growth opportunity has a significant positive effect on company value. This gap may arise due to the dependence on management's capital allocation strategy. If management prioritizes the reinvestment of earnings into growth opportunities and maintains a lower dividend payout ratio to support future growth, the moderation effect of the dividend payout ratio may be limited. Similarly, if management adjusts dividend payouts based on growth prospects or investment opportunities, the relationship between growth opportunities and company value may remain consistent regardless of dividend policy.

The effect of Investment Opportunity Set on company value

The results reveal that the investment opportunity set (IOS) has a significant positive effect on the company's value (PBV). IOS is related to the various investment

opportunities available to a company. A rich IOS can enable a company to identify and pursue projects with high potential returns. When a company successfully executes these projects, the resulting profits can increase significantly. Higher profits will enhance the company's book value because a portion of those profits will be added to the company's equity. Thus, a company with access to diverse and profitable investment opportunities can see an increase in its book value, which, in turn, can boost PBV. This aligns with signaling theory, where companies send positive signals to investors, and investors respond positively to companies with a high IOS as they promise greater returns in the future.

This result is consistent with the findings of Dharmawan and Riza (2019) and Sari and Budiarta (2016). However, different from Apriliyani et al. (2019), the investment opportunity set (IOS) does not affect company value.

The effect of liquidity on company value moderated by the dividend payout ratio

The results indicate that the effect of liquidity on company value is not moderated by the dividend payout ratio; it suggests that the relationship between liquidity and company value remains consistent regardless of the level of dividend payouts. Investors may perceive liquidity as a fundamental aspect of a company's financial health and stability, regardless of its dividend policy. High liquidity levels signal that a company has sufficient assets to meet short-term obligations, which can enhance investor confidence and reduce perceived risk. Therefore, the impact of liquidity on company value may not be significantly influenced by the dividend payout ratio, as investors prioritize liquidity considerations independent of dividend payments.

This research is not aligned with studies by Fajaria (2018) and Mardiana et al. (2019), which have evidenced that dividend payout plays a role in moderating the liquidity of a company's value. This gap may arise due to differing investor preferences. Investors have diverse priorities regarding dividends and liquidity. Some prefer consistent dividend income and may lean towards companies with higher dividend payout ratios. Conversely, others prioritize financial stability and may prefer companies with higher liquidity levels (Seth & Mahenthiran, 2022).

The effect of leverage on company value moderated by the dividend payout ratio

The results signify that the effect of leverage on company value is not moderated by the dividend payout ratio. It implies that the relationship between leverage and company value remains consistent regardless of the level of dividend payouts. Investors may perceive leverage, or the use of debt, as a fundamental aspect of a company's capital structure and financial risk, independent of its dividend policy. High leverage levels may indicate increased financial risk due to higher interest payments and debt obligations, which can impact a company's ability to generate returns for shareholders. Therefore, the impact of leverage on company value may not be significantly influenced by the dividend payout ratio, as investors assess leverage considerations separately from dividend payments.

These results are contrary to research conducted by Riska et al. (2020) and Tahu and Susilo (2017), which has verified that dividend payout plays a role in moderating leverage on company value. This may arise due to market expectations and industry norms. Market expectations and industry norms can also influence the relationship between leverage, dividend payout ratio, and company value. In certain industries or market conditions, investors may place greater emphasis on leverage considerations due to regulatory requirements, cyclical trends, or risk aversion.

The effect of profitability on company value moderated by the dividend payout ratio

The research results prove that profitability (ROA) has a significant influence on company value (PBV), which the DPR moderates. A high profitability indicates that the company can generate high profits. This shows the efficient use of company assets. Company value is based on a comparison between the stock market price and the company's book value; high profitability can make a positive contribution to the company's value. A high profitability can trigger investor interest and result in an increase in share prices, which will increase the company's value.

The results of this study are in line with Sudirjo and Maulana (2016) and Apriliyanti et al. (2019), whose dividend payout ratio measures how much of the net income is paid out as dividends to shareholders. The higher the dividend payout, the greater the dividends paid and the smaller the retained earnings by the company. When the dividend payout is high, this can reduce the positive effect of profitability on the company's value. This is because most of the profits generated by high profitability will be paid out as dividends, which can reduce the growth of the company's book value. Conversely, if the dividend payout is low, the company will retain more net profit, which can increase the company's book value and contribute positively to the company's value. These results support the research conducted by Saputri and Giovanni (2021) and Putri and Wiksuana (2021).

The effect of growth on company value moderated by the dividend payout ratio

The results indicate that the effect of growth opportunities on company value is not moderated by the dividend payout ratio, suggesting that the relationship between growth opportunities and company value remains consistent regardless of the level of dividend payouts. Investors may perceive growth opportunities as a fundamental aspect of a company's long-term prospects and value creation potential, independent of its dividend policy. High-quality growth opportunities signal that a company can expand its revenue, market share, and profitability over time, which can enhance investor confidence and drive up the company's valuation. Growth opportunities and dividend payout ratios may act as independent signals to investors. While growth opportunities reflect a company's potential for future expansion and value creation, the dividend payout ratio reflects management's capital allocation decisions and the company's dividend policy. Investors may evaluate these factors separately when assessing a company's long-term growth prospects and investment attractiveness. Therefore, the impact of growth opportunities on company value may not be significantly influenced by the dividend payout ratio, as investors prioritize growth considerations separately from dividend payments.

This research is not aligned with research conducted by Agarwal and Chakraverty (2021), Fajaria (2018), and Smith et al. (2017), which has proven that dividend payout plays a role in moderating growth opportunities on company value. This gap may arise due to differing investor preferences. Investors have varying preferences regarding dividends and growth. Some investors prioritize steady dividend income and may favor companies with higher dividend payout ratios, while others may prioritize long-term growth potential and may be more tolerant of lower dividend payouts or reinvestment of earnings into growth opportunities.

The effect of the Investment Opportunity Set on company value moderated by the dividend payout ratio

The results of the study confirm that IOS has a significant effect on PBV, which the DPR moderates. DPR can moderate the positive influence of IOS on PBV. The results of this research reflect how companies manage investment opportunities, dividend payments to shareholders, and the impact on company valuation. A high DPR indicates that the company is more focused on paying dividends than reinvesting profits in new projects. When the DPR is high, a large portion of the profits generated from investment projects may be paid out as dividends, which can reduce the growth of the company's book value. Conversely, if the DPR is low, the company will retain more net income for future growth, which can increase book value and contribute positively to PBV. The results of this study support research conducted by Ali (2022), Biza-khupe (2016), and Seth and Mahenthiran (2022).

The study provides insights into factors that may affect investor evaluations of Consumer Goods Industrial Companies listed on the Indonesia Stock Exchange (IDX). In the context of the performance of these companies, the finding that liquidity did not significantly impact company value highlights that investors might pay more attention to other factors, such as profitability, growth opportunities, and market position, in assessing company performance. This suggests that while liquidity is important for financial sustainability, companies may be evaluated more based on their ability to generate long-term profits and growth. Meanwhile, the finding that leverage significantly affected company value indicates that effective debt management could positively impact the performance of Consumer Goods Industrial Companies on the IDX. Smart debt management can amplify profits and value for shareholders. However, it is essential to note that excessively high levels of debt can increase financial risks and influence investor evaluations of company performance.

Furthermore, the findings that profitability, growth opportunities, and Investment Opportunity Set (IOS) did not significantly affect company value suggest that investors might overlook growth potential if deemed uncertain or not aligned with market trends. This could impact the performance of Consumer Goods Industrial Companies on the IDX, as the market may undervalue growth prospects if they are deemed unconvincing. Here, the importance of the dividend payout ratio as a moderating factor highlights that dividend policies can influence how investors evaluate company performance. When dividends are high, this can limit the positive impact of factors such as profitability and

growth opportunities on company value. Therefore, wise dividend policies can be an important consideration in enhancing the value of Consumer Goods Industrial Companies listed on the IDX.

Conclusion

This study aimed to analyze the effect of liquidity, leverage, profitability, growth opportunities, and IOS on the company's value proxied by price-book value by examining the moderating role of the dividend payout ratio. The research findings suggest that liquidity, as measured by the current ratio, did not significantly influence company value, contrary to previous studies. Investors may prioritize factors like profitability, growth prospects, and market position over short-term liquidity when evaluating a company's value. On the other hand, leverage, measured by the debt-to-assets ratio (DAR), significantly affected company value, aligning with previous research. This implies that effective debt management can amplify returns and shareholder value. However, profitability, measured by return on assets (ROA), did not significantly impact company value, as investors might focus more on earnings quality rather than profitability alone. Similarly, growth opportunities and investment opportunity sets (IOS) did not significantly affect company value, indicating that investors might discount growth prospects if uncertain or not aligned with market trends. Additionally, the dividend payout ratio moderated the effects of profitability, growth, and IOS on company value. When dividends are high, they may limit the positive impact of these factors on book value. Overall, while liquidity may not strongly influence company value, effective debt management and dividend policies play significant roles in shaping investor perceptions of value.

This study has limitations, including a limited amount of panel data, focusing on a single industry sector, a lack of supportive data on variations in investment opportunities among individual companies, and not incorporating industry risk, market policies, and investor preferences. For future research, it is advisable to increase the amount of data and industry sectors, including variables related to industry risk, market risk, and investor preferences in the capital market.

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