
**THE IMPACT OF MARKET CAPITALIZATION AND DIVIDEND POLICY
ON FIRM VALUE (A STUDY OF FOOD AND BEVERAGE COMPANIES
LISTED ON THE INDONESIA STOCK EXCHANGE FROM 2019 TO 2024)**

Aswandi Jufry¹

Universitas Tadulako, Palu, Indonesia
aswandijufry@gmail.com

Ni Made Suwitri Parwati²

Universitas Tadulako, Palu, Indonesia
nimade.sparwati@gmail.com

Moh. Iqbal Bakry³

Universitas Tadulako, Palu, Indonesia
iqbalbakry66@gmail.com

Muhammad Ilham Pakawaru⁴

Universitas Tadulako, Palu, Indonesia
pakawaruilham4@gmail.com

Abstract

Firm value is an important indicator for investors in assessing corporate performance and future prospects. However, previous studies on the relationship between market capitalization, dividend policy, and firm value have produced inconsistent results. This study aims to examine the effect of market capitalization and dividend policy on firm value in food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period. This study employed a quantitative explanatory approach using secondary data obtained from annual reports and the Indonesia Stock Exchange. A purposive sampling technique was applied, resulting in 18 companies as the research sample. Data were analyzed using multiple linear regression with SPSS Version 25. The results indicate that market capitalization has a positive and significant effect on firm value, while dividend policy has a positive but insignificant effect. These findings suggest that investors place greater emphasis on market valuation than on dividend distribution when assessing firm value. This study contributes to the corporate finance literature by providing updated empirical evidence on the determinants of firm value in Indonesia's food and beverage sector and offers practical insights for managers and investors.

Keywords: Market Capitalization, Dividend Policy, Firm Value, Indonesia Stock Exchange, Food and Beverage Companies

INTRODUCTION

Firm value is widely recognized as one of the most important indicators reflecting a company's overall performance and long-term sustainability. A high firm value not only represents strong financial performance but also indicates investors' confidence in the company's future growth prospects. Since stock prices respond to market expectations regarding future cash flows and corporate performance, maximizing firm value has become a primary objective of financial management. Companies capable of increasing firm value generally enjoy easier access to external financing, lower capital costs, and greater competitiveness in capital markets (Brigham & Houston, 2019). In Indonesia, the capital market has experienced substantial development over the last decade. The increasing number of listed companies, the rapid growth of retail investors, and continuous improvements in market infrastructure have strengthened the role of the Indonesia Stock Exchange (IDX) as an important source of long-term financing. At the same time, investors are becoming increasingly selective in evaluating listed companies by considering various financial and market indicators before making investment decisions. Consequently, identifying the factors that influence firm value has become increasingly relevant for corporate managers, investors, and policymakers.

Among the sectors listed on the Indonesia Stock Exchange, the food and beverage industry occupies a strategic position due to its significant contribution to Indonesia's manufacturing output and its relatively stable performance across different economic conditions. Demand for food and beverage products tends to remain resilient, even during periods of economic uncertainty. Nevertheless, companies within this sector continue to experience considerable differences in market valuation. Several firms consistently maintain high Price-to-Book Value (PBV) ratios, whereas others exhibit relatively low market valuation despite recording favorable accounting performance. This phenomenon suggests that financial performance alone may not fully explain differences in firm value, indicating the presence of other influential factors.

One factor frequently associated with firm value is market capitalization. Market capitalization represents the total market value of a company's outstanding shares and reflects investors' collective assessment of the company's current condition and prospects. Companies with larger market capitalization are generally perceived as more established, financially stable, and capable of generating sustainable returns. Larger firms also tend to receive greater analyst coverage and attract institutional investors, thereby strengthening market confidence. From the perspective of Signaling Theory, market capitalization can function as a market-based signal regarding corporate quality because investors interpret higher market valuation as an indication of stronger expected future performance.

Another important determinant of firm value is dividend policy. Dividend policy reflects management's decision regarding the proportion of earnings distributed to shareholders versus retained for future investment. Theoretical perspectives provide different explanations regarding the relationship between dividend policy and firm value. Signaling Theory argues that dividend payments communicate positive information concerning future corporate performance, thereby increasing investor confidence. Conversely, Dividend

Irrelevance Theory proposed by Miller and Modigliani (1961) suggests that dividend policy does not directly affect firm value in a perfect capital market because investors are primarily concerned with the firm's earning capacity rather than the method of profit distribution. Meanwhile, Bird-in-the-Hand Theory contends that investors generally prefer current dividends over uncertain future capital gains because dividends reduce investment uncertainty. Agency Theory also explains that dividend payments may reduce agency conflicts by limiting the amount of free cash flow under managerial discretion, thereby improving shareholder welfare.

Despite the extensive literature examining market capitalization, dividend policy, and firm value, empirical findings remain inconsistent. Several studies report that market capitalization positively affects firm value because larger firms tend to enjoy greater investor confidence and stronger market reputation. In contrast, other studies suggest that firm size or market-based indicators alone cannot consistently explain market valuation across different industries and economic conditions. Similar inconsistencies are also found in studies investigating dividend policy. Some researchers conclude that dividend payments enhance firm value through positive market signals, whereas others report insignificant or even negative relationships because investors often prioritize long-term growth opportunities over immediate cash dividends.

These inconsistent findings indicate that differences in industrial characteristics, investor preferences, macroeconomic conditions, and market environments may influence the relationship between market capitalization, dividend policy, and firm value. Most previous studies have focused primarily on manufacturing companies as a whole or on mixed industrial sectors, providing limited attention to the food and beverage industry during the 2019–2024 period, which encompasses both the COVID-19 pandemic and the subsequent economic recovery. These unique economic conditions may have altered investor behavior, corporate financial policies, and market valuation processes. Therefore, additional empirical evidence remains necessary to explain whether market capitalization and dividend policy continue to influence firm value under these changing market conditions.

Accordingly, this study seeks to examine the effects of market capitalization and dividend policy on firm value among food and beverage companies listed on the Indonesia Stock Exchange during the 2019–2024 period. By focusing on a specific industrial sector and a period characterized by substantial economic transition, this research contributes to the corporate finance literature in three important ways. First, it provides updated empirical evidence regarding the determinants of firm value in an emerging capital market. Second, it integrates multiple theoretical perspectives including Signaling Theory, Agency Theory, Bird-in-the-Hand Theory, and Dividend Irrelevance Theory to provide a more comprehensive explanation of investor responses to corporate financial decisions. Third, the findings are expected to provide practical implications for corporate managers in designing financial strategies and for investors in evaluating investment opportunities within Indonesia's food and beverage industry.

REVIEW OF LITERATURE

Signaling Theory

Signaling Theory, introduced by Spence (1973), explains how information asymmetry between managers and investors can be reduced through credible signals delivered by the company. Additionally, according to Hartono (2012), signaling theory explains how companies should communicate signals to investors, specifically information regarding management actions in meeting shareholder expectations. Managers generally possess more complete information regarding the firm's current performance and prospects than outside investors. Consequently, investors rely on publicly available information to evaluate firm quality and estimate future returns. Financial information, stock market performance, and dividend announcements therefore function as important signals that influence investors' perceptions and investment decisions.

Brigham and Houston (2019) argue that companies with superior financial performance have incentives to disclose positive information because such disclosures enhance investor confidence and increase firm value. Within the context of this study, both market capitalization and dividend policy can be interpreted as market signals. A larger market capitalization reflects stronger investor confidence and higher market valuation, whereas dividend payments communicate management's confidence in the firm's future earnings and cash flow stability.

Agency Theory

Agency Theory, developed by Jensen and Meckling (1976), explains the contractual relationship between shareholders (principals) and managers (agents). Since managers may pursue objectives that differ from shareholders' interests, agency conflicts can arise and potentially reduce firm value. Corporate financial policies therefore play an important role in mitigating such conflicts.

Dividend policy is frequently viewed as an effective mechanism for reducing agency costs. By distributing excess cash to shareholders, managers retain fewer discretionary resources that could otherwise be allocated to projects generating limited shareholder value. Consequently, firms adopting appropriate dividend policies may improve investor confidence and enhance firm value through lower agency costs.

Bird-in-the-Hand Theory

The Bird-in-the-Hand Theory proposed by Gordon (1963) and Lintner (1962) argues that investors generally prefer certain current dividends over uncertain future capital gains. Because dividends provide immediate returns and reduce investment uncertainty, firms with relatively stable dividend payments may receive higher market valuations.

According to this perspective, dividend policy becomes an important determinant of firm value because investors perceive current dividends as less risky than expected future earnings. Therefore, companies maintaining stable dividend distributions may strengthen investor confidence and increase firm value.

Dividend Irrelevance Theory

In contrast, Miller and Modigliani (1961) argue through Dividend Irrelevance Theory that dividend policy does not affect firm value under perfect capital market conditions.

Investors are assumed to focus primarily on a firm's investment opportunities and earning capacity rather than on how earnings are distributed between dividends and retained earnings.

Although perfect capital market assumptions rarely exist in practice, this theory provides an important explanation for empirical findings showing that dividend policy sometimes exhibits an insignificant relationship with firm value. Investors may prioritize future growth opportunities instead of current dividend payments, particularly in industries with substantial expansion potential.

Firm Value

Firm value reflects investors' overall assessment of a company's financial condition and future growth prospects. It represents the market's expectation regarding the firm's ability to generate sustainable earnings and create shareholder wealth over the long term (Novari & Lestari, 2020). Higher firm value generally indicates stronger investor confidence and better corporate performance (Setyani, 2018).

One of the most widely used indicators of firm value is the Price-to-Book Value (PBV) ratio. PBV compares the market value of equity with its book value, thereby illustrating how the market values the firm's net assets (Ovami & Nasution, 2020). A higher PBV indicates that investors expect superior future performance and growth prospects (Brigham & Houston, 2019).

Market Capitalization

The location where securities trading takes place is known as a stock exchange (Tandelilin, 2010). Dewi et al. (2021) state that the capital market serves as a platform where capital owners or investors meet with entities that trade investment instruments and other securities. Meanwhile, Market capitalization represents the total market value of a company's outstanding shares and is calculated by multiplying the market price per share by the total number of outstanding shares. Unlike the concept of a capital market, which refers to the institutional mechanism where securities are traded, market capitalization is a measurable firm-level indicator reflecting investor valuation.

Companies with larger market capitalization generally possess stronger reputations, greater financial stability, and higher market credibility (Fabozzi, 2020). Such firms also tend to attract institutional investors, receive broader analyst coverage, and enjoy greater market liquidity. Consequently, higher market capitalization often serves as a positive signal regarding corporate quality and future prospects.

Dividend Policy

Dividend policy refers to management's decision concerning the proportion of earnings distributed to shareholders and the amount retained for future investment. One commonly used indicator is the Dividend Payout Ratio (DPR), which measures the percentage of net earnings distributed as cash dividends.

Dividend policy remains one of the most debated issues in corporate finance because different theoretical perspectives predict different impacts on firm value. Signaling theory posits that companies can use dividend policy to send signals to the market regarding their financial prospects (Ross et al., 2019). While Signaling Theory and Bird-in-the-Hand Theory

suggest positive effects, Dividend Irrelevance Theory argues that dividend policy may have little or no impact on firm value.

The large number of companies that have gone public naturally requires a company's value to attract investors. A company's value is reflected in its stock price on the capital market. One of the capital markets in Indonesia is the Indonesia Stock Exchange (IDX). Market capitalization reflects investors' aggregate assessment of a firm's current performance and future growth opportunities. Companies with higher market capitalization generally demonstrate stronger market confidence, better access to capital, and greater financial flexibility. According to Signaling Theory, increasing market capitalization sends favorable information regarding corporate quality, thereby encouraging higher investor demand and increasing firm value.

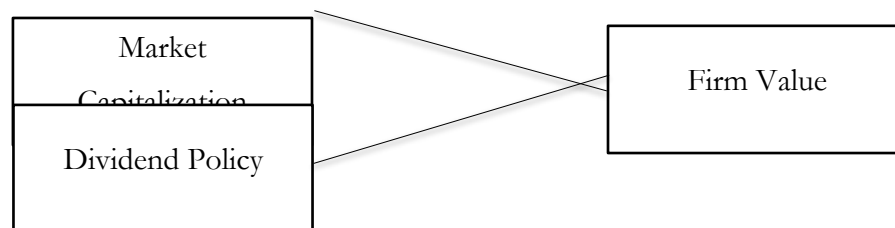
Empirical studies conducted by Samosir et al. (2022), Setiabudhi (2022), and Yuliana (2020) consistently report that firms with larger market capitalization tend to exhibit higher firm value because investors interpret greater market valuation as an indication of superior corporate performance. Referring to previous research, the proposed hypotheses are as follows:

H₁: Market capitalization has a positive and significant effect on firm value.

Dividend policy is closely linked to corporate value; however, it often gives rise to conflicts of interest between the company and its investors. Dividend policy provides important information regarding management's expectations about future corporate performance. According to signaling theory, Companies distributing stable dividends may signal stronger profitability and more stable future cash flows, thereby increasing investor confidence. Agency Theory further suggests that dividend payments reduce agency conflicts by limiting managers' discretionary use of free cash flow. Nevertheless, Dividend Irrelevance Theory argues that investors may focus primarily on investment opportunities rather than dividend distributions. Consequently, empirical evidence regarding the influence of dividend policy on firm value remains inconclusive.

Previous research conducted by Sari & Wulandari (2021) and Somantri & Sukardi (2019) indicates that dividend policy has a positive effect on firm value. Considering the dominant arguments from Signaling Theory, Agency Theory, and Bird-in-the-Hand Theory, this study proposes the following hypothesis:

H₂: Dividend policy has a positive and significant effect on firm value.



Picture 1. Framework

RESEARCH METHOD

This study employed a quantitative explanatory research design to examine the causal relationships between market capitalization, dividend policy, and firm value. An explanatory approach was selected because the primary objective of the study is to empirically test hypotheses concerning the influence of financial variables on firm value using secondary panel data. The research focused on food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 observation period. This period was intentionally selected because it encompasses the COVID-19 pandemic and the subsequent economic recovery, allowing the study to capture changes in investor behavior and corporate financial decisions under different economic conditions.

The population consisted of 95 food and beverage companies listed on the Indonesia Stock Exchange during the observation period. The sample was selected using purposive sampling based on the following criteria: 1) Companies continuously listed on the Indonesia Stock Exchange during 2019–2024, 2) Companies publishing complete audited annual financial statements throughout the observation period, 3) Companies reporting complete information regarding market capitalization, dividend policy, and firm value, 4) Companies distributing cash dividends during the observation period. Based on these criteria, 18 companies were selected, resulting in 108 firm-year observations. The data used consists of secondary data in the form of annual financial statements, daily stock prices, stock trading volumes, and financial ratios obtained from the IDX's official website. Data collection was conducted using the documentation method, which involves accessing and recording data from companies' official reports and publications.

The collected data were analyzed using IBM SPSS Statistics Version 25. The analytical procedures consisted of: 1) Descriptive statistical analysis, 2) Classical assumption tests: normality test, multicollinearity test, heteroscedasticity test, autocorrelation test, 3) Cochrane–Orcutt transformation (if autocorrelation was detected), 4) Multiple linear regression analysis, 5) Partial hypothesis testing (t-test), 6) Coefficient of determination (R^2). The regression model is specified as follows:

$$PBV_i = \alpha + \beta_1 MC_i + \beta_2 DPR_i + \varepsilon_i$$

Note:

- PBV = Firm Value
- MC = Market Capitalization
- DPR = Dividend Payout Ratio
- α = Constant
- β_1, β_2 = Regression Coefficients
- ε = Error Term

If autocorrelation was detected using the Durbin–Watson statistic, the Cochrane–Orcutt transformation was applied to improve the regression model by eliminating serial

correlation among residuals. This procedure enhances the reliability of coefficient estimation and statistical inference.

Operational Variables

Independent and Dependent Variables

According to Sugiyono (2013), independent variables are referred to as trigger variables, input variables, predictor variables, or unbound variables. Unbound variables are those that cause the emergence or change in the bound variable (dependent variable). Thus, independent variables function as factors that influence the dependent variable. In this study, the independent variables are the market capitalization and dividend policy. The dependent variable is known as the response variable, output, or related variable. A related variable is one that is affected by or results from the presence of an independent variable. In this study, the focus of the dependent variable is the company's value.

Table 1. Formula for Independent and Dependent Variables

No	Variables	Name	Indicator	Scale
1	X1	Market Capitalization	$MC = \text{Closing Stock Price} \times \text{Outstanding Shares}$	Ratio
2	X2	Dividend Policy	$KD = \frac{\text{Cash Dividend}}{\text{Net Profit}} \times 100\%$	Ratio
3	Y	Firm Value	$NP = \frac{\text{Closing Stock Price} \times \text{Outstanding Shares}}{\text{Total Equity}}$	Ratio

Source: Data processed by the researcher, 2026

RESULTS AND DISCUSSION

Descriptive Statistics

Tabel 2. Results of Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CM (X1)	108	26,82	32,52	29,8437	1,52053
KD (X2)	108	,88	1,04	,9627	,02536
NP (Y)	108	3,66	7,16	5,7910	,71081
Valid N (listwise)	108				

Source: Secondary Data Processed, 2026

Based on Table 2 above, it can be concluded that the Firm Value variable, proxied by PBV, has a mean of 5.7910 with a standard deviation of 0.71081; the minimum value is 3.66 for PT Budi Starch & Sweetener Tbk, and the maximum value is 7.16 for PT FKS Multi Agro Tbk. The Market Capitalization variable has a mean of 29.8437 with a standard deviation of 1.52053; with a minimum value of 26.82 at PT Budi Starch & Sweetener Tbk and a maximum

value of 32.52 at PT Indofood CBP Sukses Makmur Tbk. The Dividend Policy variable has a mean of 0.9627 and a standard deviation of 0.2536, with a minimum value of 0.88 at PT FKS Multi Agro Tbk and a maximum value of 1.04 at PT Delta Djakarta Tbk.

Test of Classical Assumption

Test of Data Normality

The normality test is conducted to evaluate whether the independent and dependent variables within the regression model are distributed normally. In the present study, normality was assessed using the Kolmogorov-Smirnov test. The dataset is regarded as having a normal distribution when the unstandardized residual value exceeds 0.05.

Tabel 3. Results of the Normality Test
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		108
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,56246155
Most Extreme Differences	Absolute	,053
	Positive	,053
	Negative	-,038
Test Statistic		,053
Asymp. Sig. (2-tailed) ^c		,200 ^d

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Secondary Data Processed, 2026

Multicollinearity Test

Tabel 4. Results of the Multicollinearity Test
Coefficients^a

		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	CM (X1)	,993	1,007
	KD (X2)	,993	1,007

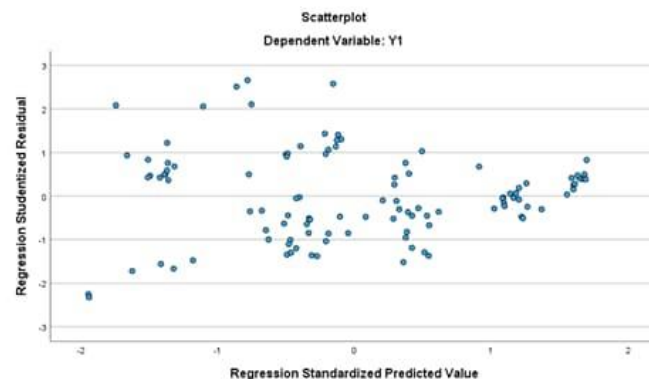
a. Dependent Variabel: NP

Source: Secondary Data Processed, 2026

Data can be said to exhibit multicollinearity if the tolerance value is > 0.1 and the VIF is < 10 . Based on Table 4, it can be seen that the tolerance value is greater than 0.1 and the

VIF value is less than 10. Therefore, it can be concluded that there are no signs of multicollinearity in the research data.

Heteroscedasticity Test



Picture 2. Results of the Heteroscedasticity Test

The scatterplot-based heteroscedasticity test presented above indicates that the observed data points are distributed both above and below the value of 0, with their distribution spreading widely away from the Y-axis. Furthermore, the points do not exhibit any regular or identifiable pattern in their dispersion. These conditions suggest that the research data do not demonstrate symptoms of heteroscedasticity.

Autocorrelation Test

An autocorrelation test is applied to identify whether the residual term at period t is correlated with residuals from period $t-1$ or from preceding periods within a regression equation. The basis used to assess the existence of autocorrelation includes the following conditions: (a) when the DW statistic is smaller than dL or greater than $(4-dL)$, the null hypothesis is rejected, which signifies that autocorrelation occurs; (b) if the DW statistic lies between dU and $(4-dU)$, the null hypothesis is accepted, indicating that autocorrelation is not present; (c) however, if the DW statistic is positioned between dL and dU or between $(4-dU)$ and $(4-dL)$, the test does not provide a definitive conclusion regarding autocorrelation.

Tabel 5. Results of the Autocorrelation Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.611 ^a	.374	.362	.56779	.482

a. Predictors: (Constant), KD (X2), CM (X1),

b. Dependent Variable: NP (Y1)

Source: Secondary Data Processed, 2026

Table 5 above shows that the Durbin-Watson (DW) statistic is 0.482. The dU value from this study is 1.7241, and the 4-dU value is 2.2759. This DW value indicates the presence of autocorrelation because it is still below the dU value ($1.7241 > 0.482 < 2.14976$). Therefore, a method is needed to resolve this autocorrelation issue, one of which is the Cochrane-Orcutt test. The Cochrane-Orcutt test is a regression model improvement procedure performed by transforming the lags of the variables used (Tinungki, 2016).

Tabel 6. Results of the Autocorrelation Test After Transformation
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.480 ^a	.230	.215	.36721	1.788

a. Predictors: (Constant), ADJ_X2_1, ADJ_X1_1

b. Dependent Variable: ADJ_Y1_1

Source: Secondary Data Processed, 2026

Referring to Table 6, the Durbin-Watson statistic obtained following the implementation of the Cochrane-Orcutt correction method is 1.788. At a 5% significance level with a total sample size of 108 (n) and two independent variables (k=2), the Durbin-Watson table indicates a DU value of 1.7241. Because the calculated DW value of 1.788 exceeds the upper bound (DU) of 1.7241 while remaining below the value of 4 – 1.7241, namely 2.2759, the regression model can be interpreted as free from autocorrelation symptoms.

Multiple Linear Regression Test

To assess the magnitude of the effect exerted by the independent variables on the dependent variable, multiple linear regression analysis was employed. This analysis was also intended to identify the direction of the relationship between each independent variable and the dependent variable, whether positive or negative, as well as to estimate changes in the dependent variable resulting from variations in the independent variables. The outcomes generated from the multiple linear regression model are displayed in Table 7.

Tabel 7. Results of Multiple Linear Regression Analysis
Coefficient^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4,851	2,273		-2,134	,035
	CM (X1)	,280	,036	,598	7,722	,000
	KD (X2)	2,382	2,172	,085	1,097	,275

a. Dependent variable: NP (Y)

Source: Secondary Data Processed, 2026

Based on the table above, the following multiple linear regression equation was obtained:

$$PBV = -4.851 + 0.280(MC) + 2.382(DPR) + e$$

The regression constant of -4.851 indicates that when all independent variables are set at 0, the estimated firm value equals -4.851 . The market capitalization variable yields a regression coefficient of 0.280 , suggesting that a one-unit increase in the market capitalization variable corresponds to a 0.280% increase in firm value. In addition, the dividend policy variable records a coefficient of 2.382 , implying that each 1% increase in dividend policy is associated with a 2.382% rise in firm value. Nevertheless, no definitive conclusion can yet be established.

Hypothesis Test

Partial Test Result (T-test)

The t-test essentially indicates the extent to which a single independent variable, when considered separately, explains the variation in the dependent variable. This is done by examining the significance level of the t-value in the regression output, which is set at 0.05 or 5% . The hypothesis is accepted and deemed significant if the p-value is less than 0.05 . The results of the t-test can be seen in Table 8.

Tabel 8. T-Test Results
Coefficient^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4,851	2,273		-2,134	,035
	CM (X1)	,280	,036	,598	7,722	,000
	KD (X2)	2,382	2,172	,085	1,097	,275

a. Dependent variable: NP (Y)

Source: Secondary Data Processed, 2026

Coefficient of Determination

To evaluate how far the model is capable of accounting for variations in the dependent variable, the coefficient of determination (R^2) test is applied. A greater coefficient

of determination reflects a stronger ability of the independent variables to explain the observed data variation. The outcomes obtained from the coefficient of determination analysis are presented in Table 9.

**Tabel 9. Coefficient of Determination
Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.480 ^a	.230	.215	.36721	1,788

a. Predictors: (Constant), ADJ_X2_1, ADJ_X1_1

b. Dependent Variable: ADJ_Y1_1

Source: Secondary Data Processed, 2026

The coefficient of determination produced an R-squared value of 0.230, equivalent to 23%. This finding implies that 23% of the variation in firm value, as the dependent variable, can be accounted for by the independent variables, namely market capitalization and dividend policy. Meanwhile, the remaining 77% is attributable to other factors beyond the scope of this research model. Therefore, although the model contributes meaningfully to explaining firm value, additional variables not included in this analysis also play a role in influencing firm value.

This result suggests that firm value is a multidimensional construct influenced not only by market capitalization and dividend policy but also by other financial and non-financial factors, such as profitability, capital structure, investment decisions, corporate governance, liquidity, macroeconomic conditions, and investor sentiment. Future research should therefore incorporate additional explanatory variables to enhance the predictive power of the regression model.

The Effect of Market Capitalization on Firm Value

The findings demonstrate that the market capitalization, which is proxied through stock prices, exerts a positive and significant influence on firm value. Evidence of this relationship is presented in Table 8, where the unstandardized beta coefficient reaches 0.280 with a significance value of 0.00, which is below the threshold of 0.05. Accordingly, the first hypothesis (H_1), stating that the market capitalization positively and significantly affects firm value, is supported. From the perspective of Signaling Theory, larger market capitalization reflects stronger investor confidence in a firm's future prospects. Investors generally perceive companies with higher market capitalization as financially stronger, more stable, and less risky. Consequently, these companies receive higher market valuation, which is reflected in a higher Price-to-Book Value. This finding also reflects the characteristics of Indonesia's food and beverage industry. Companies with larger market capitalization are generally well-established firms possessing stronger brands, broader distribution networks, and more stable operating performance. Such characteristics reduce perceived investment risk and encourage investors to assign higher market value to these firms. The results are consistent with previous

studies by Samosir et al. (2022), Yuliana (2020), and Setiabudhi (2022), which conclude that firms with larger market capitalization tend to achieve higher firm value. The consistency of these findings suggests that market-based valuation remains an important determinant of firm value within emerging capital markets.

The Effect of Dividend Policy on Firm Value

The findings reveal that dividend policy, measured through DPR, exerts a positive yet statistically insignificant influence on firm value. Table 8 reports an unstandardized beta coefficient of 2.382, accompanied by a significance value of 0.275, which exceeds the 0.05 threshold. Accordingly, the first hypothesis (H_2), stating that the dividend policy positively and significantly affects firm value, is unsupported. First, according to Dividend Irrelevance Theory, investors may place greater emphasis on the firm's future earning capacity and investment opportunities than on current dividend payments. Under this perspective, dividend policy does not substantially alter firm value because investors can generate their preferred income streams through portfolio adjustments. Second, the characteristics of Indonesia's food and beverage industry suggest that many firms prioritize business expansion and operational development. Investors may therefore view retained earnings more favorably than higher cash dividend distributions because retained earnings provide greater opportunities for future growth. Third, changing investor behavior in Indonesia should also be considered. The rapid increase in retail investors over recent years has encouraged greater emphasis on capital gains rather than dividend income. Consequently, stock price appreciation becomes more influential than dividend payments in determining investment decisions.

From the perspective of Agency Theory, dividend payments can reduce agency conflicts by limiting managerial discretion over free cash flow. Nevertheless, the empirical findings imply that this governance mechanism does not significantly influence market valuation within the observed companies. Overall, the insignificant relationship indicates that dividend policy alone is insufficient to explain firm value. Investors appear to consider broader aspects of corporate performance, including profitability, growth opportunities, business risk, and long-term financial sustainability.

These findings are consistent with previous studies reporting that dividend policy has a positive but statistically insignificant effect on firm value, particularly in industries characterized by stable growth and substantial reinvestment opportunities. This result is consistent with the studies of Putra & Widati (2022), Umbung et al. (2021), and Amrulloh & Amalia (2008), which found that dividend policy has a positive but insignificant effect on firm value.

CONCLUSION

This study examined the influence of market capitalization and dividend policy on the firm value of food and beverage companies listed on the Indonesia Stock Exchange during the 2019–2024 period. Based on the empirical analysis, two principal conclusions can be drawn: 1) Market capitalization exerts a positive and statistically significant effect on firm value. This finding indicates that companies with higher market capitalization tend to

receive greater market valuation because investors perceive them as financially stronger, more stable, and possessing superior long-term growth prospects. Therefore, market capitalization serves as an important market-based indicator in explaining firm value within Indonesia's food and beverage industry. 2) Dividend policy demonstrates a positive but statistically insignificant effect on firm value. Although dividend payments provide positive information regarding corporate financial performance, investors in the Indonesian food and beverage sector appear to place greater emphasis on long-term growth opportunities and business expansion than on current cash dividend distributions. Consequently, dividend policy cannot be regarded as the primary determinant of firm value within the observed companies. Overall, these findings suggest that market-based valuation indicators play a more influential role than dividend distribution decisions in determining firm value during the observation period.

Recommendation

Theoretical Implications

The findings contribute to the development of corporate finance literature by providing empirical evidence regarding the relationship between market capitalization, dividend policy, and firm value in an emerging capital market. 1) The significant influence of market capitalization supports the propositions of Signaling Theory, indicating that market valuation reflects investors' expectations regarding future corporate performance and functions as an important signal in reducing information asymmetry between managers and investors. 2) The insignificant influence of dividend policy suggests that Dividend Irrelevance Theory remains relevant under certain market conditions, particularly when investors prioritize future growth opportunities over immediate dividend income. The findings also indicate that no single theory fully explains investor behavior. Instead, the interaction between Signaling Theory, Agency Theory, Bird-in-the-Hand Theory, and Dividend Irrelevance Theory provides a more comprehensive framework for understanding firm valuation.

Managerial Implications

The results offer several practical implications for corporate managers. 1) Managers should prioritize strategies that strengthen market confidence by improving financial performance, maintaining sustainable business growth, enhancing corporate transparency, and communicating corporate prospects effectively to investors. These efforts may contribute more substantially to increasing firm value than solely focusing on dividend distribution. 2) Dividend policy should remain aligned with corporate investment opportunities and long-term financing needs. Rather than maximizing dividend payments, management should carefully balance shareholder returns with retained earnings required to finance future expansion projects capable of generating sustainable firm value.

Implications For Investors

For investors, the findings indicate that market capitalization may serve as one important indicator when evaluating listed companies, but it should not be interpreted in isolation. Because market capitalization and Price-to-Book Value (PBV) are both related to market valuation, investors should also consider complementary indicators such as

profitability, leverage, cash flow, growth opportunities, and corporate governance before making investment decisions. Furthermore, dividend policy should not be viewed as the sole basis for investment decisions because dividend distributions alone do not necessarily reflect a firm's long-term ability to create shareholder value.

Limitations

Several limitations should be acknowledged: 1) the study focuses exclusively on companies operating within the food and beverage subsector listed on the Indonesia Stock Exchange. Consequently, the findings may not be directly generalizable to firms operating in other industrial sectors; 2) the explanatory power of the regression model remains relatively limited, indicating that additional financial and non-financial factors may influence firm value but were not incorporated into the present study; 3) the sampling procedure employed purposive sampling based on data completeness and dividend distribution criteria. Although this approach ensured data consistency, it may introduce survivorship bias, as financially distressed firms or companies that did not distribute dividends continuously were excluded from the analysis. 4) This study uses market capitalization and Price-to-Book Value (PBV) as the principal explanatory and dependent variables, respectively. Because both variables are derived from stock market valuation, a degree of conceptual overlap may exist. Although this issue does not invalidate the empirical findings, future studies are encouraged to employ alternative market-based measures or more advanced econometric approaches to further address potential endogeneity concerns.

REFERENCES

- Amrulloh, A., & Amalia, A. D. (2008). Pengaruh Profitabilitas, Struktur Modal, Likuiditas, Ukuran Perusahaan Dan Kebijakan Dividen Terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia Periode Tahun 2015-2019). *A Dictionary of Archaeology*, 9(2), 58–59. https://doi.org/10.1007/1-4020-0612-8_42
- Brigham, E. F., & Houston, J. F. (2013). *Fundamentals of financial management*. South-Western Cengage Learning.
- Brigham, E. F., & Houston, J. F. (2019). *Fundamentals of Financial Management: Concise* by Cengage. Cengage Learning.
- Dewi, L. P. W., Sastri, I. I. D. A. M., & Sanjaya, I. K. P. W. (2021). Pengaruh Partisipasi Anggaran, Akuntabilitas Publik dan Gaya Kepemimpinan Terhadap Kinerja Manajerial Pada Organisasi Perangkat Daerah Kabupaten Bangli. *Jurnal Riset Akuntansi Warmadewa*, 2(2), 75–81. <https://doi.org/10.22225/jraw.2.2.3365.75-81>
- Gordon, M. J. (1963). Optimal investment and financing policy. *The Journal of finance*, 18(2), 264-272.
- Hartono, J. (2012). *Metodologi penelitian bisnis: Salah kaprah & pengalaman-pengalaman*. Yogyakarta: Badan Penerbit Fakultas Ekonomi Universitas Gadjah Mada.
- Lintner, J. (1962). Dividends, earnings, leverage, stock prices and the supply of capital to corporations. *The review of Economics and Statistics*, 243-269.
- Mayasari, A. S., Fadah, I., & Endhiarto, T. (2015). Analisis kebijakan dividen, kebijakan

- hutang dan nilai perusahaan pada perusahaan sektor pertambangan yang terdaftar di Bursa Efek Indonesia Periode 2009-2013. Artikel Ilmiah Mahasiswa, 2013, 1–6.
- Meckling, W. H., & Jensen, M. C. (1976). Theory of the Firm. Managerial behavior, agency costs and ownership structure, 3(4), 305-360.
- Miller, M. H., & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. the Journal of Business, 34(4), 411-433.
- Nirawati, L., Samsudin, A., Puteri Pradanti, A., Widya Ayu, A., Aura Jahzy, C., Dwi Isma Saputri, I., & Prisichella, A. (2022). Analisis Pengaruh Kebijakan Dividen Terhadap Nilai Perusahaan. SINOMIKA Journal: Publikasi Ilmiah Bidang Ekonomi Dan Akuntansi, 1(2), 189–196. <https://doi.org/10.54443/sinomika.v1i2.193>
- Novari, M. P., & Lestari, V. P. (2020). Pengaruh Ukuran Perusahaan, Leverage, Dan Profitabilitas Terhadap Nilai Perusahaan Pada Sektor Properti Dan Real Estate E-Jurnal Manajemen Unud, Vol. 5, No.9, 2016:5671-5694 ISSN: 230. E-Jurnal Manajemen Universitas Udayana, 5(9), 5671–5694.
- Ovami, D. C., & Nasution, A. A. (2020). Pengaruh Kebijakan Dividen Terhadap Nilai Perusahaan yang Terdaftar dalam Indeks LQ 45. Owner (Riset Dan Jurnal Akuntansi), 4(2), 331. <https://doi.org/10.33395/owner.v4i2.247>
- Putra, Yudha aru, & Widati, Wahyu. (2022). Profitabilitas, Struktur Modal, Ukuran Perusahaan, dan Kebijakan Dividen terhadap Nilai Perusahaan di BEI. Kompak :Jurnal Ilmiah Komputerisasi Akuntansi, 15(1), 110–121. <https://doi.org/10.51903/kompak.v15i1.623>
- Putri, F., Rokhmah, N., Nurfitriah, H., Syazeedah, U., Fitriyaningrum, R. I., Ramadhan, G., Syahwildan, M., Bangsa, U. P., & Barat, J. (2024). Tantangan dan Peluang Pasar Modal Indonesia dalam Meningkatkan Minat Investasi di Era Digital. Kompeten: Jurnal Ilmiah Ekonomi Dan Bisnis, 3(1), 909–918.
- Rizki, A., Lubis, A. F., & Sadalia, I. (2018). The Influence of Capital Structure to the Firm Value with Profitability As Intervening Variables. 2018, 220–230. <https://doi.org/10.18502/kss.v3i10.3375>
- Samosir, R. C., Herlina Novita, Rutmia, Kristina Sarumaha, & Eliza Saragih. (2022). Pengaruh Harga Saham, Ukuran Perusahaan, Profitabilitas, Dan Leverage Terhadap Nilai Perusahaan Manufaktur Yang Terdaftar Di Bei Tahun 2018-2020. Akurasi: Jurnal Studi Akuntansi Dan Keuangan, 5(1), 77–86. <https://doi.org/10.29303/akurasi.v5i1.150>
- Sari, D. M., & Wulandari, P. P. (2021). Pengaruh Kepemilikan Institusional, Kepemilikan Manajerial, Dan Kebijakan Dividen Terhadap Nilai Perusahaan. Jurnal Akuntansi, 22(1), 1–18.
- Septariani, D. (2017). Pengaruh Kebijakan Dividen dan Kebijakan Hutang terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan LQ45 di BEI Periode 2012-2015). JABE (Journal of Applied Business and Economic), 3(3), 183. <https://doi.org/10.30998/jabe.v3i3.1769>
- Setiabudhi, H. (2022). Pengaruh Profitabilitas Dan Ukuran Perusahaan Terhadap Nilai

- Perusahaan Dengan Harga Saham Sebagai Variabel Mediasi. AmaNU: Jurnal Manajemen dan Ekonomi, 5(1), 1–11. www.idx.co.id.
- Setyani, Astuti Yuli. (2018). Pengaruh Kebijakan Hutang, Kebijakan Dividen, Dan Profitabilitas Terhadap Nilai Perusahaan.
- Somantri, I., & Sukardi, H. A. (2019). Pengaruh Keputusan Investasi, Kebijakan Hutang Dan Kebijakan Dividen Terhadap Nilai Perusahaan. JEMPER (Jurnal Ekonomi Manajemen Perbankan), 1(1), 1. <https://doi.org/10.32897/jemper.v1i1.125>
- Sugiyono. (2013). Metode Penelitian Kuantitatif, kualitatif dan R&D. In Bandung: Alfabet.
- Tandelilin, E. (2010). Portofolio dan Investasi: Teori dan Aplikasi. Edisi pertama. Yogyakarta: Kanisius.
- Umbung, H. M., Ndoen, M. W., & Amtiran, Y. P. (2021). Pengaruh Kebijakan Dividen Dan Profitabilitas Terhadap Nilai Perusahaan Jurnal Akuntansi, Vol. 10, No. 2, November (2021). Jurnal Akuntansi, 10(2), 211–225.
- Yuliana, T. (2020). Pengaruh Free Cash Flow, Dan Harga Saham Terhadap Nilai Perusahaan Dengan Kebijakan Dividen Sebagai Variabel Intervening. Prosiding Seminar Nasional Pakar, 1–6. <https://doi.org/10.25105/pakar.v0i0.6887>