

The Influence Capital Structure, Liquidity, Dividend policy, and Profitability to Firm Value

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Article Information:	Abstract
<p>Keywords: Keyword 1: Capital Structure Keyword 2: Liquidity Keyword 3: Dividend Policy Keyword 4: Profitability Keyword 5: Firm Value</p> <p>Article History: Received : Mei 10, 2025 Revised : june 01, 2025 Accepted : June 17, 2025</p> <p>Cite This Article: Sriyanto, E., Hikmah, K., & Sukarno, A. (2025). The Influence Capital Structure, Liquidity, Dividend policy, and Profitability to Firm Value. Indikator: Jurnal Ilmiah Manajemen & Bisnis, 9(3), 56-63. doi:https://doi.org/10.22441/indikator.v9i3.34149</p>	<p><i>This study aims to examine the effect of capital structure, liquidity, dividend policy, and profitability on firm value. The research employs a quantitative approach using secondary data obtained from the financial statements of companies listed on the LQ45 Index of the Indonesia Stock Exchange. A purposive sampling technique was applied, resulting in 70 firm-year observations from 2020 to 2024. The data were analyzed using multiple linear regression with SPSS 20. The findings reveal that capital structure, liquidity, dividend policy, and profitability jointly have a significant impact on firm value. However, capital structure individually shows no significant effect. In contrast, liquidity, dividend policy, and profitability each demonstrate a positive and significant influence on firm value. These results suggest that firms can enhance their value by improving financial performance, particularly through maintaining adequate liquidity, implementing consistent dividend policies, and increasing profitability.</i></p>

INTRODUCTION

A company generally operates to achieve two core objectives: optimizing short-term profitability and enhancing long-term firm value (Brigham & Houston, 2018; Gitman & Zutter, 2015; Horne & Wachowicz, 2009). Firm value is an essential indicator that reflects investors' assessments of a company's performance and growth potential, often captured by market price movements and the willingness of investors to pay for shares (Brigham & Houston, 2018; Aprilya & Irsad, 2021). High firm value indicates strong investor confidence and suggests that a company is generating satisfactory returns for its shareholders.

In the context of the Indonesian capital market, fluctuations in firm value are often influenced by macroeconomic and political conditions such as the COVID-19 pandemic and electoral events like the 2024 general election hich affect investor sentiment and market dynamics (Maulidayana et al., 2024). The LQ45 Index, comprising companies with high liquidity, large market capitalization, and sound financial fundamentals, is widely regarded as a benchmark by investors. Understanding the factors that influence firm value in LQ45 companies is therefore crucial, given their systemic importance and reflection of corporate governance best practices in Indonesia.

Numerous studies have analyzed the determinants of firm value, with a focus on internal financial factors. Capital structure, which reflects the composition of debt and equity, directly

impacts the cost of capital and financial risk. According to trade-off theory, an optimal balance between debt and equity enhances firm value by minimizing bankruptcy risk while maximizing tax advantages (Efendi & Rivandi, 2024; Sari et al., 2020). Liquidity, representing a firm's ability to meet its short-term obligations, also plays a critical role. Firms with strong liquidity are generally viewed as more stable and trustworthy by investors (Putri & Wardani, 2025).

Dividend policy, as articulated by signaling theory, can influence investor perceptions; regular dividend payments may serve as a signal of financial stability and positive future prospects (Tarigan et al., 2023; Gumanti, 2014). Meanwhile, profitability, a key measure of operational efficiency, is consistently associated with firm value as it reflects management's effectiveness in generating returns from available resources (Natalia & Jonnardi, 2022; Dharmawan et al., 2023).

Although many researchers have investigated these variables independently, there remains a lack of comprehensive empirical analysis exploring the simultaneous effects of capital structure, liquidity, dividend policy, and profitability on firm value, particularly within the LQ45 segment. Most prior studies have focused on sectoral or general IDX-listed firms, leaving a gap in understanding how these interrelated financial indicators operate within a benchmark index. This study aims to fill this gap by evaluating the collective and individual impacts of these financial factors on firm value in LQ45 companies between 2020 and 2024.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Firm Value

Firm value reflects the market's perception of a firm's performance and future prospects. According to Brigham and Houston (2019), firm value is primarily determined by stock prices and overall shareholder wealth. A high firm value indicates strong investor confidence and efficient management performance.

Capital Structure and Firm Value

Capital structure refers to the proportion of debt and equity used in financing a firm's operations. Based on the trade-off theory (Modigliani & Miller, 1963), an optimal capital structure balances the tax benefits of debt with the costs of financial distress. Studies show mixed findings on its impact. For instance, Abeywardhana (2017) found a positive effect of leverage on firm value, while others like Sarlija & Harc (2012) reported a negative relationship.

H1: Capital structure has a significant effect on firm value.

Liquidity and Firm Value

Liquidity represents a firm's ability to meet short-term obligations. Firms with high liquidity may be viewed as financially sound, yet excessive liquidity might indicate inefficient asset use (Gitman & Zutter, 2015). Previous studies present conflicting evidence: Saleem & Rehman (2011) found a positive relationship, while Velnampy & Pratheepkanth (2012) reported the opposite.

H2: Liquidity has a significant effect on firm value.

Dividend Policy and Firm Value

Dividend policy signals a firm's financial health to investors, aligning with the signaling theory (Bhattacharya, 1979). Firms that consistently pay dividends tend to build investor trust, positively influencing firm value. However, in some cases, high dividends may limit funds available for reinvestment.

H3: Dividend policy has a significant effect on firm value.

Profitability and Firm Value

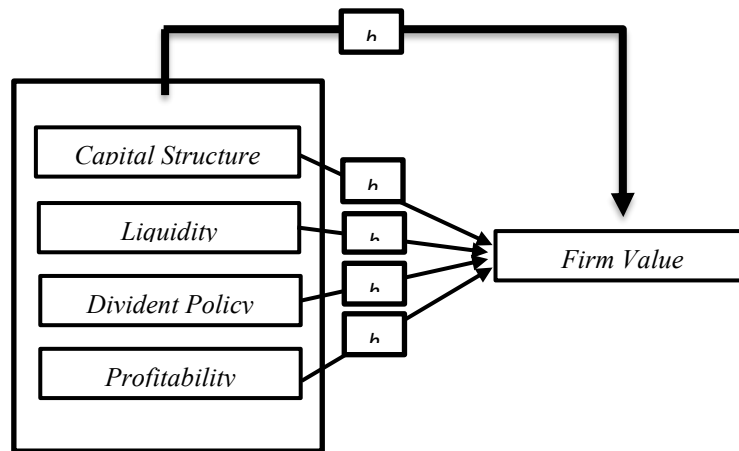
Profitability is a key indicator of a firm's operational success. According to return on assets (ROA) or return on equity (ROE) metrics, higher profitability typically translates into higher firm value (Brigham & Houston, 2019). Empirical studies, such as Majumdar & Chhibber (1999), confirm a strong positive relationship.

H4: Profitability has a significant effect on firm value.

Research Gap and Contribution

While prior studies have examined these variables individually, limited research integrates capital structure, liquidity, dividend policy, and profitability simultaneously within the context of LQ45 firms in Indonesia. Moreover, findings across studies remain inconsistent, particularly regarding liquidity and dividend policy. This research addresses this gap by testing all four determinants together and grounding the analysis in both trade-off and signaling theories.

Figure 1. Framework



RESEARCH METHOD

Study This is study quantitative. Population study covers all over company go public listed in The LQ45 index on the Indonesia Stock Exchange (IDX) during period 2020-2024, with a total of 45 companies. The selection sample done use method purposive sampling, namely based on criteria certain relevant with objective research. The data used in this study is secondary data obtained from report finance available companies in a way public.

Dependent variable in This study is Firm Value, which explains indicator success managerial in create mark economy term long. Firm Value used For measure how far the company capable increase welfare holder stocks and reflect prospects performance company in the future.

$$\text{Tobin's } Q = \frac{(MVE + Debt)}{TA}$$

Capital structure in study This measured use ratio solvency, in particular through Debt to Equity Ratio (DER) indicator. DER measures proportion between total debt and total equity, and is used For evaluate how far the company depends on financing from party creditors, good For increase working capital and For acquisition assets.

$$DER = \frac{Debt}{Equity}$$

Liquidity refers to the ability company in fulfil obligation in short term. In this research, liquidity measured use current ratio, namely the ratio that shows ability company in pay off all over short term liabilities use asset smoothly owned.

$$CR = \frac{Current Assets}{Curent Debt}$$

Dividend policy is decision managerial related distribution profit, is it will shared to holder share as dividend or detained as profit detained For need investment company. In this research, Dividend policy measured use dividend payout ratio (DPR), namely the ratio that shows percentage profit clean shared to holder share in form dividends.

$$DPR = \frac{\text{Total Dividend}}{\text{Net Income}}$$

Profitability show ability company in produce profit from equity used. In this research, profitability measured use return on equity (ROE), namely ratio that measures how much effective own capital used For produce profit clean after tax. The more higher the ROE, the big efficiency and effectiveness use equity in create profit for holder share.

$$ROE = \frac{\text{Net Income}}{\text{Total Equity}}$$

RESULTS AND DISCUSSION

Normality Test

Table 1. Normality Test

Information	<i>Unstandardized Residual</i>
Kolmogorov-Smirnov Z	1.223
<i>Asymp. Sig. (2-tailed)</i>	0,101

Source: Data Analysis Results (2025)

The normality test using the Kolmogorov-Smirnov method yields an Asymp. Sig. value of 0.101, which exceeds the threshold of 0.05. This indicates that the residuals are normally distributed, thus meeting the normality assumption required for regression analysis.

Multicollinearity Test

Table 2. Multicollinearity Test

Variables	<i>Tolerance</i>	VIF	Information
Capital Structure	0.614	1,628	Free Multicollinearity
Liquidity	0.737	1,356	Free Multicollinearity
Dividend Policy	0.988	1,012	Free Multicollinearity
Profitability	0.801	1,249	Free Multicollinearity

Source: Data Analysis Results (2025)

The multicollinearity test shows that all independent variables have tolerance values greater than 0.10 and VIF (Variance Inflation Factor) values below 10. Specifically, capital structure, liquidity, dividend policy, and profitability have VIF values of 1.628, 1.356, 1.012, and 1.249, respectively. These results confirm that the model is free from multicollinearity issues.

Heteroscedasticity Test Results

Table 3. Heteroscedasticity Test

Variables	sig. (2-tailed)	Information
Capital Structure	0, 500	No Heteroscedasticity Occurs

Liquidity	0.078	No Heteroscedasticity Occurs
Dividend Policy	0.970	No Heteroscedasticity Occurs
Profitability	0.801	No Heteroscedasticity Occurs

Source: Data Analysis Results (2025)

The heteroscedasticity test, assessed through significance values above 0.05 for all variables, also supports the absence of heteroscedasticity. Capital structure, liquidity, dividend policy, and profitability have significance values of 0.500, 0.078, 0.970, and 0.801, respectively, implying that the variance of the residuals is constant across observations.

Autocorrelation Test Results

Table 4. Autocorrelation Test	
	<i>Unstandardized Residual</i>
<i>Test Value^a</i>	- 0,04024
<i>Cases < Test Value</i>	32
<i>Cases >= Test Value</i>	32
<i>Total Cases</i>	64
<i>Number of Runs</i>	26
<i>Z</i>	-1,764
<i>Asymp. Sig. (2-tailed)</i>	0,078

Source: Data Analysis Results (2025)

The autocorrelation test using the Runs Test provides a significance value of 0.078, which is above 0.05. This suggests no autocorrelation among the residuals, fulfilling another assumption of classical linear regression

Model Feasibility Test (F Test)

Table 5. F Test

<i>Model</i>		Sum of Squares	<i>Df</i>	Mean Square	<i>F</i>	<i>Sig.</i>
1	<i>Regression</i>	172,886	4	43,221	144,583	0.000 ^b
	<i>Residual</i>	17,637	59	0.299		
	<i>Total</i>	190,523	63			

Source: Data Analysis Results (2025)

Lastly, the F-test results show a significance value of 0.000, which is less than 0.05. This indicates that the regression model is statistically significant and that the independent variables—capital structure, liquidity, dividend policy, and profitability—collectively influence firm value.

Coefficient of Determination Test (R²)

Table 6. Determination Coefficient Test

Model	R	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	0,953 ^a	0.907	0.901	0.54675

Source: Data Analysis Results (2025)

Table 7 shows that the coefficient of determination (R Square) is 0.907, indicating that 90.7% of the variation in firm value can be explained simultaneously by the variables capital structure, liquidity, dividend policy, and profitability. Meanwhile, the remaining 9.3% is influenced by other factors not included in this research model. The Adjusted R Square value of 0.901 further confirms the model's strong explanatory power, even after accounting for the number of predictors used.

Test (t-Test)

Table 7. t-test

Variables	t _{count}	t _{table}	Sig.	Std. Sig.	Information
Capital Structure	0.995	2.00030	0.324	0.05	Not Significant
Liquidity	3,648	2.00030	0.001	0.05	Significant
Dividend Policy	2.180	2.00030	0.033	0.05	Significant
Profitability	21,161	2.00030	0.00	0.05	Significant

Source: Data Analysis Results (2025)

Research result show that capital structure, liquidity, Dividend policy, and profitability influential in a way together to Firm Value, with thus First hypothesis accepted

This Study show that capital structure no influential significant to Firm Value with mark significance $0.324 > 0.05$, so second hypothesis rejected. The measured capital structure through *Debt to Equity Ratio* (DER) reflects use of debt in operational company. Although debt can increase access to assets and potential income but, still own high risk If No managed with good. Investors tend to more consider performance operational, reputation and credibility company compared to capital structure in evaluate Firm Value.

Study show that liquidity influential significant to Firm Value with mark significance $0.001 < 0.05$, so third hypothesis accepted. Liquidity, as measured with Current Ratio (CR), reflects ability company in fulfil obligation term short. High level of liquidity increase investor confidence and image company, as well as reduce risk fail pay. According to theory signal, the increase in CR gives signal positive to investors that company in condition Healthy in a way financial and have low risk liquidity.

Study show that Dividend policy influential significant to Firm Value with mark significance 0.033, so fourth hypothesis accepted. Dividend policy reflect option taking decision management in share profit to holder shares. According to theory signal, division dividend give signal positive to investors regarding performance and prospects company in the future front. Investors tend to like companies that regularly share dividend Because considered capable produce stable profits, so increase Firm Value through increase price share.

Study show that profitability influential significant to Firm Value, so that fifth hypothesis accepted. Profitability reflect ability company produce profit and become indicator important for investors in evaluate performance and health finance company. High level of profitability show stable performance and prospects good effort, so investor interesting and have an impact on increasing firms value in the capital market.

CONCLUSION

Based on results study about influence capital structure, liquidity, Dividend policy, and profitability to mark companies on the LQ45 Index in 2020-2024 can withdrawn conclusion as

following : Capital structure, liquidity, Dividend policy, and profitability influential in a way together to mark registered company indexed LQ45 in 2020-2024. The capital structure is not influential to mark registered company indexed LQ45 2020-2024. Liquidity influential positive and significant to mark registered company indexed LQ45 2020-2024. Dividend policy influential positive and significant to mark registered company indexed LQ45 2020-2024. Profitability influential positive and significant to mark registered company indexed on LQ45 2020-2024.

Suggestion for academics, that researchers can then develop further studies and consider other variables such as corporate governance, company size, or internal factors or other external factors. Suggestion for companies, management needs to prioritize increased profit by optimizing the sustainability strategy and operational efficiency, by maintaining a healthy and balanced liquidity to create short -term financial stability and reduce the risk of bankruptcy. Dividend policy as a positive signal for investors regarding the prospect of company growth, because the decision to distribute earnings has an impact on investor perceptions and company value on the stock exchange. Profitability as a reflection of company financial performance has an influence on company value. Suggestion for investors, Investors are expected to be able to understand the company's fundamental analysis indicators such as liquidity, dividend policies, and profitability that are able to provide a picture and signal about the company's performance and prospects so that it becomes the main variable in investment decision making. Suggestions for the government, through the Indonesian Stock Exchange Authority, the Financial Services Authority, and the Capital Market Supervisory Agency need to strengthen the regulations and policies that encourage the company to further carry out information disclosure regarding financial statements, especially in aspects of liquidity, dividend policies, and profitability that are proven to have the influence of company value. The value of the company is influenced by several aspects of operational and distribution of profit, so that the government is expected to be able to create a business climate that supports the efficiency and growth of the company, so as to increase the value of the company in the Indonesian capital market.

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