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The Effect of Profitability, Capital Structure, and Total Asset Turnover on Company Value with Dividends as a Moderating Variable

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Abstract : With dividend policy acting as a moderating variable, this study attempts to examine the effects of profitability, capital structure, and total asset turnover on firm value. The study employs an associative research design and a quantitative methodology. 310 businesses from the consumer staples, industrial, and materials industries that were listed on the Indonesian Stock Exchange between 2020 and 2024 make up the population. 39 businesses satisfied the research criteria based on a selective sampling selection, and following data cleaning with case diagnostics, 192 observations were obtained. The Statistical Package for the Social Sciences (SPSS) was used to examine secondary data that was taken from the yearly financial statements of businesses. The following metrics are used to quantify: return on assets, debt to equity ratio, total asset turnover, Tobins Q, and dividend payout ratio. The findings indicate that business value is significantly impacted by profitability, capital structure, and total asset turnover. Additionally, the relationship between profitability and company value can be moderated by dividend policy, but the impact of capital structure and total asset turnover on firm value cannot be moderated. These results suggest that while dividend policy has a selective moderating effect, financial performance is a significant factor in raising firm value.

Keywords : Profitability, Capital Structure, TATO, Company Value, Dividend.

INTRODUCTION

One important metric that reflects how investors view a firm's operational effectiveness and long-term viability is its company value. The ability of management to effectively oversee operations and produce the best possible returns for shareholders is indicated by a high firm value. Since stock prices represent investors' evaluations of a company's fundamentals and growth potential, firm value is frequently linked to stock prices in capital market practice. As a result, one of the main goals of businesses listed on the Indonesia Stock Exchange is to increase firm value. (Spence, 1973) Signaling Theory, which holds that information released by businesses acts as a signal to investors about the firm's quality and prospects for the future, can be used to explain the relationship between corporate valuation and financial performance.

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Profitability, capital structure, asset efficiency, and dividend policy are examples of financial data that can affect market perceptions and investment choices. Investors typically react favorably when businesses demonstrate great financial performance through open reporting, which eventually raises the firm's value.

One of the main factors that determines a company's worth is its profitability. It shows how well management uses firm resources and displays a company's capacity to make money from its operations. A high level of profitability indicates both potential for expansion and financial stability. Nevertheless, previous empirical results on the relationship between profitability and business value are still contradictory, indicating the need for more research in many settings and eras. Firm value is also significantly influenced by capital structure. It shows the percentage of debt and equity utilized to fund business operations. Modigliani and Miller's states that when taxes and bankruptcy expenses are taken into account, financing choices may have an impact on the value of the company. Although using debt might result in tax benefits that raise a company's worth, using too much leverage can raise financial risk and erode investor trust. The conflicting findings of earlier research suggest that more research is still required.

Total Asset Turnover (TATO), which gauges how well a business uses its assets to produce income, is another crucial component. Effective resource use can produce long-lasting competitive advantages, according to Resource-Based View Theory (Barney, 1991). Strong operational success is reflected in high asset efficiency, which can boost investor confidence. However, there is still conflicting empirical data regarding the connection between TATO and business value. When making investment decisions, dividend policy is frequently taken into account in addition to financial performance. The choice of whether to distribute profits to shareholders or keep them for internal use is known as the dividend policy. According to the Bird-in-the-Hand Theory (Gordon, 1963), investors might favor specific dividends above unpredictable capital gains. As a result, the relationship between business valuation and financial success may be moderated by dividend policy. Nevertheless, prior research on its moderating function remains erratic.

Due to global economic disturbances like the COVID-19 pandemic and the ensuing financial volatility, the 2020–2024 timeframe offers a unique background. These circumstances have affected investor behavior and business operations, especially in non-financial industries with unique operational traits. Few studies jointly analyze profitability, capital structure, and total asset turnover with dividend policy as a moderating variable in non-financial enterprises, despite the large number of studies on firm value drivers. Thus, this study is to investigate the

moderating influence of dividend policy in non-financial companies listed on the Indonesia Stock Exchange between 2020 and 2024, as well as the effects of profitability, capital structure, and total asset turnover on firm value. It is anticipated that this study will add to the body of knowledge on financial management and offer useful advice to investors and corporate managers.

RESEARCH METHOD

This study employs a quantitative approach with an associative research design to examine the relationship and effect of profitability, capital structure, and total asset turnover on firm value, with dividend policy acting as a moderating variable. The quantitative method is used to test hypotheses through statistical analysis, while the associative design aims to identify causal relationships among variables. The population of this study consists of non-financial companies in the consumer non-cyclicals, basic materials, and industrial sectors listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The total population includes 310 companies, comprising 132 companies in the consumer non-cyclicals sector, 113 companies in the basic materials sector, and 62 companies in the industrial sector. Purposive sampling is the sampling strategy used in this study, and it is predicated on the following criteria: (1) companies that were regularly listed on the IDX throughout the observation period; (2) companies that paid dividends; and (3) companies that consistently produced profits between 2020 and 2024. Because they did not regularly turn a profit during the research period, 10 of the 49 companies that paid dividends were disqualified. 39 businesses were chosen as the final sample since they satisfied all the requirements.

Secondary data for this study came from yearly financial reports that were posted on the Indonesia Stock Exchange's (IDX) official website. Tobin's Q is used to measure firm value, which is the dependent variable. Profitability as determined by Return on Assets (ROA), capital structure as determined by Debt to Equity Ratio (DER), and total asset turnover as determined by Total Asset Turnover (TATO) are the independent variables. The Dividend Payout Ratio (DPR) is used to measure dividend policy, which acts as the moderating variable. Data analysis techniques include descriptive statistical analysis, classical assumption tests, multiple linear regression analysis, and Moderated Regression Analysis (MRA) to examine the moderating effect of dividend policy. All statistical analyses were conducted using SPSS software.

RESULT AND DISCUSSION

Based on the results of the classical assumption test, the first normality test using Kolmogorov-Smirnov is determined by a significance level of 0.000 (<0.05), which indicates that the data is not normally distributed. This indicates that there are data outliers in the research model. After doing a case-by-case diagnostic and analyzing three data sets with a residual ekstrem, the results of the normality test show a significance level of 0.095 (>0.05), indicating that the data has satisfied the normality assumption. Uji multikolinearitas indicates that every variable has a tolerance value above 0 and a VIF value below 10, therefore the regression model does not have multikolinearitas issues. Furthermore, the results of the heteroskedastisitas uji indicate that all variables have a significance level greater than 0.05, which indicates that there is no heteroskedastisitas. Using Durbin-Watson autocorrelasi yielded a result of 1,829 between DU and 4-DU, indicating that autocorrelasi did not occur in the regression model.

The results of the uji kelayakan model (uji F) show that the value of F is 142,981 with a significance level of 0.000000 (<0.05). This means that the variables of profitability, modal structure, and total asset turnover all significantly affect the value of the company at the same time, so the regression model is used. The adjusted R-squared value in the moderation-free model is 0.669%, which indicates that 66.9% of the variation in the company's value can be explained by independent variables, while 33.1% can be explained by factors outside the research model. After adding the moderasi variable, the Adjusted R Square value increased to 0.747, indicating that the dividen variable's keberadaan can increase the model's ability to explain the business's nilai variation.

Table 1. Coefficients (T-Test)

	B	**Std.Error**	**t**	**Sig**
Constant	-0.167	0.114	-1.462	0.145
ROA	13.929	0.785	17.750	0.000
DER	0.656	0.70	9.340	0.000
TATO	-0.149	0.53	-2.819	0.005

Based on the uji t results in Table 1, the variable profitability (ROA) has a positive and significant impact on the company's value, with a significance level of 0.00000 (<0.05). The modal structure (DER) also indicates positive and significant effects with a significance level of 0.0000 (<0.05). Conversely, total asset turnover (TATO) has a negative and significant impact on the company's value with a significance level of 0,005 (<0.05). The results indicate that every independent variable has a significant impact on the company's value.

Table 2. Coefficients (MRA)

	B	Std.Error	t	Sig
Constant	0.261	0.170	1.541	0.125
X1M	8.206	1.490	5.507	0.000
X2M	0.193	0.108	1.791	0.075
X3M	-0.036	0.117	-0.304	0.762

According to Table 2 interaction test results, the relationship between profitability and dividends has a positive coefficient and a significance value of 0.000 (<0.05), indicating that dividends can amplify the impact of profitability on firm value. On the other hand, dividends are unable to moderate the correlations between capital structure and dividends and between total asset turnover and dividends, as evidenced by their respective significant values of 0.075 and 0.762 (>0.05).

The Effect of Profitability (X1) on Company Value (Y). Return on Assets (ROA), which measures a company's capacity to produce revenue from all of its assets, is used in this study to quantify profitability. A high return on assets (ROA) shows that management can make good use of the company's resources to generate profits, which benefits investors and may raise stock prices and the company's overall worth. The findings are consistent with Signaling Theory (Spence, 1973), which holds that financial data particularly profits acts as a signal to external stakeholders about the caliber and prospects of a business. A company with great profitability is valued higher by the market since it indicates sound financial standing, effective operations, and the possibility of maximum investor returns.

This result is consistent with earlier research that shows a strong positive relationship between profitability and firm value, including studies by by Al-Omari et al., (2024); Bama et al., (2021); Jonnius Jonnius & Marsudi Almatius, (2021); Markonah et al., (2020); Rambe et al., (2023); Sari, (2020),. According to this e research, investors should give profit production top priority when choosing investments because badly managed earnings might impede growth potential and operational efficiency. But according to certain studies, including Amanda & Pranjoto, (2025); Belinda & Dewi, (2023); Elisa Dwi Handini & Dwi Ermayanti Susilo, (2025), there was no discernible impact. This could be because of variations in the industry, length of the study, or investor attention to risk and income stability. Profitability is especially important in this study, which focuses on the Consumer Non-Cyclicals, Basic Materials, and Industrials sectors. Because these industries have robust organizational structures and intensive operations, profits are a clear indicator of performance and have a direct impact on company value.

The Effect of Capital Structure (X2) on Company Value (Y). The Debt-to-Equity Ratio (DER), which shows the percentage of debt financing in relation to equity, is used to measure capital structure. Effective debt management can boost a company's worth by enabling corporate expansion and offering tax shelters. The findings are in line Modigliani & Miller, (1963) Theory, which contends that debt can raise a company's worth through interest tax shielding when taxes are present. Effective debt management lowers capital costs and enhances financial strategy, which investors view as a sign of stability. Similar beneficial and noteworthy effects were discovered in earlier research by Amanda & Pranjoto, (2025); Bui et al., (2023b); Hamdan et al., (2019); Hirdinis, (2019); Tirtamara & Sri Artini, (2024). Debt promotes effective money management and managerial discipline, which raises output and profitability. However, research by Ali et al., (2022); Rambe et al., (2023); Liana Afifah, (2022) revealed no discernible effect, most likely because different businesses had different debt risks. Stable operating cash flows enable businesses in this study's non-financial industries to manage debt without being viewed as dangerous. As a result, in certain industries, capital structure has a favorable impact on firm value.

The Effect of Total Asset Turnover (X3) on Company Value (Y). Total Asset Turnover (TATO) measures how well a business uses its assets to produce income. The Resource-Based View (RBV) Theory Barney, (1991), which highlights that a company's competitiveness depends on efficient internal resource management, is supported by this study. Optimizing asset utilization gives businesses a competitive edge, which raises their worth. This conclusion supports the notion that TATO is essential for asset-intensive sectors, as suggested by Al-Omari et al., (2024); Hamdan et al., (2019); Hasangapon et al., (2021); Rambe et al., (2023). However, no significant effect was discovered by (Bama et al., 2021; Belinda & Dewi, 2023; Vellicia Dwi Dafika & Muhammad Fauzan, 2023), This could be because their research objects had different operational characteristics or lower asset intensity. High asset utilization is essential in the Consumer Non-Cyclicals, Basic Materials, and Industrials sectors, which makes TATO a reliable indicator of business value.

The Effect of Profitability (X1) on Company Value (Y) Through Dividens (M). According to this study, the relationship between profitability and firm value is strongly moderated by dividends. Consistent and rising dividend payments indicate steady financial performance and robust cash flow to investors, following Signaling Theory Spence, (1973). In a similar vein, investors favor current dividends over uncertain future capital gains, according to Gordon, (1963) Bird in the Hand Theory. A company's worth is further increased when it

generates high earnings and distributes dividends, which boost investor confidence. According to research by Al-Omari et al., (2024); Belinda & Dewi, (2023); Fika et al., (2025), dividends improve the impact of profitability on firm value by converting accounting profits into real investor returns. Because this study focused on sectors with steady cash flows, dividend distribution is a trustworthy indicator for investing, unlike Prameswari, (2024), who found no moderating influence a reliable signal for investor. This study demonstrates that dividends are a useful tool for increasing the influence of profitability on market value in industries with high asset concentration and steady operations.

The Effect of Capital Structure (X2) on Company Value (Y) Through Dividens (M). Dividends, in contrast to profitability, have no discernible moderating effect on the relationship between capital structure and firm value. According to the MM theory (1963), a company's value is not always impacted by the capital allocation strategy in an efficient market. Even while investors could favor dividends Bird in the Hand Theory, (1963), debt and bankruptcy risk continue to have a greater impact on capital structure impacts than dividend policy. In contrast to this results, Tirtamara & Sri Artini, (2024) discovered moderation, presumably as a result of variations in industry characteristics. Due to low asset intensity and high capital requirements, investors in the sectors under study place a higher priority on long-term risk and firm success than dividends. Focuses on sector-specific investor behavior and emphasizes how dividend policy, not capital structure, selectively moderates profitability.

The Effect of Total Asset Turnover (X3) on Company Value (Y) Through Dividens (M). Likewise, dividends have no moderating effect on the correlation between TATO and firm valuation. According to RBV theory Barney, (1991) , managerial and operational skills, not distribution choices, are what directly affect value when it comes to asset efficiency. Although dividends are valued by investors, TATO's power stems from its operational efficiency. This is consistent with the features of the sector, where a high level of asset intensity influences investor assessment more by utilization efficiency than dividend policy. Differences from earlier research Al-Omari et al., (2024); Belinda & Dewi, (2023) can be attributed to differences in industry focus and operational stability. Clarify our understanding of finance in asset-intensive industries by showing that dividends are an effective selective moderator for profitability but not for capital structure or operational efficiency (TATO).

This study is innovative because it examines the effects of capital structure, profitability, and total asset turnover on business value all at once, with a focus on Indonesia's consumer non-cyclicals, basic materials, and industrial sectors. In contrast to earlier research that

examined these factors independently, this study not only combines them into a single model but also looks into how dividend policy may increase the relationship between profitability and company value. The results demonstrate a sector-specific dynamic that has not been investigated in previous studies: dividends successfully improve the relationship between profitability and firm value, but they have no effect on the effects of capital structure and total asset turnover. This highlights the significance of tailored corporate financial policies and offers new information for scholars and practitioners alike. This shows that the dividend distribution financial strategy has a greater impact based on financial metrics and sector characteristics.

CONCLUSION

For companies listed on the Indonesia Stock Exchange between 2020 and 2024, this study examines the impact of profitability, capital structure, and total asset turnover on business value, using dividends as a moderating variable. The findings demonstrate that capital structure, profitability, and total asset turnover all significantly impact the value of a company, underscoring the significance of maximizing profits, choosing wisely how to finance projects, and efficiently using assets to boost operational performance. The influence of profitability on firm value was found to be strengthened by dividend policy, while the effects of capital structure and total asset turnover were not mitigated. The study offers useful insights for businesses to maximize profits, capital structure, and asset management to enhance firm value, despite limitations like a small number of variables and a brief observation period. It also lays the groundwork for future research with larger variables and longer periods.

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