

The Effects of Company Growth, Institutional Ownership, and Liquidity on Company Value, with Dividend Policy as a Mediating Variable

Edi Supriyono^{1*}, Shira Azaria Rahma Putri²

^{1,2} Management Study Program, Faculty of Economics and Business, Muhammadiyah University of Yogyakarta, Yogyakarta, Indonesia

*Corresponding Author: shiraazariarahma@gmail.com

Article History

Received: 26-07-2026

Revised: 06-08-2026

Published: 30-08-2026

ABSTRACT

Research Objective: This study aims to analyze the effects of firm growth, institutional ownership, and liquidity on firm value, as well as to test the role of dividend policy as a mediating variable in manufacturing companies listed on the Indonesia Stock Exchange for the period 2021–2024. *Design/Methodology/Approach:* This study employs a quantitative approach using secondary data obtained from the financial statements of manufacturing companies listed on the Indonesia Stock Exchange for the period 2021–2024. The research sample was determined using purposive sampling based on specific criteria. The analysis method used was panel data regression with the aid of EViews software to test the relationships between variables, as well as the Sobel test to examine the role of dividend policy as a mediating variable. *Research Findings:* The results indicate that firm growth has a negative and significant effect on dividend policy, whereas institutional ownership and liquidity do not have a significant effect on dividend policy. Furthermore, firm growth, institutional ownership, liquidity, and dividend policy do not have a significant effect on firm value. The results of the mediation test indicate that dividend policy mediates the effect of firm growth on firm value but does not mediate the effects of institutional ownership and liquidity on firm value. *Theoretical Contribution/Originality:* This study contributes to enriching the literature on firm value by testing the role of dividend policy as a mediating variable simultaneously using panel data from manufacturing firms in Indonesia. The finding that most variables do not have a significant effect and that mediation occurs only for firm growth suggests that dividend policy is not always a strong mechanism for increasing firm value, particularly in emerging markets. *Practitioner/Policy Implications:* This study implies that dividend policy can serve as an important signal for management in communicating the company's growth prospects to investors. For investors, dividend policy should be considered alongside financial indicators in investment decision-making. Meanwhile, for regulators, these results provide a basis for promoting

Keywords: Firm Growth, Institutional Ownership, Liquidity, Dividend Policy, Firm Value.

transparency and consistency in dividend policy to enhance market confidence. Research Limitations/Implications: This study is limited to the manufacturing sector and the 2021–2024 period, and it uses only the variables of firm growth, institutional ownership, and liquidity; therefore, the results cannot yet be broadly generalized. Consequently, future research is recommended to expand the sector, include additional variables, and employ more comprehensive analytical methods.

INTRODUCTION

Corporate value is a key indicator that reflects investors' perceptions of a company's performance and future prospects. In the context of modern capital markets, corporate value is a primary objective because it is directly linked to enhancing shareholder welfare and ensuring the company's long-term sustainability. Corporate value is generally measured using the Price-to-Book Value (PBV) ratio, which indicates how the market values a company relative to its book value.

However, in recent years, corporate value—particularly in Indonesia's manufacturing sector—has experienced significant fluctuations, especially following the COVID-19 pandemic. This situation reflects uncertainty in corporate financial decision-making, including dividend policies, which are a primary concern for investors. Therefore, it is important to examine the internal factors within a company that can influence corporate value.

Some factors believed to influence a company's value include corporate growth, institutional ownership, and liquidity. Corporate growth reflects a company's ability to increase its assets and expand its business, which is generally viewed as a positive signal by investors (Hermuningsih 2013). However, companies with high growth tend to retain earnings for investment, which can affect dividend policy (Yilmaz et al. 2024).

On the other hand, institutional ownership serves as a monitoring mechanism that can reduce agency conflicts between management and shareholders (Jensen and Meckling 1976). Liquidity is also an important factor because it reflects a company's ability to meet its short-term obligations and signals financial stability to investors (Brigham and Houston 2018).

In addition to direct effects, dividend policy is viewed as a variable capable of bridging the relationship between a company's internal factors and its value. From the perspective of signaling theory, dividend policy serves as a means for management to convey information about the company's financial condition to investors (Bhattacharya 1979). Previous research has shown that dividend policy can strengthen the relationship between financial variables and firm value (Putri and Wiksuana 2021; Ramirez and Ferrer 2021). However, the results of previous studies still show inconsistencies, particularly regarding the role of dividend policy as a mediating variable.

Based on these phenomena and research gaps, this study aims to analyze the effects of firm growth, institutional ownership, and liquidity on firm value, with dividend policy as a mediating variable, among manufacturing firms listed on the Indonesia Stock Exchange for the period 2021–2024.

This section aims to establish a strong theoretical foundation for explaining the relationship between firm growth, institutional ownership, liquidity, dividend policy, and firm value. This study draws upon *Agency Theory* (Jensen and Meckling 1976) , which explains the existence of conflicts of interest between management and shareholders, as well as *Signaling Theory* (Bhattacharya 1979) , which emphasizes that a company's financial policies can serve as informational signals for investors. Additionally, *the Residual Dividend Theory* and *Life Cycle Theory* are used to explain how companies determine their dividend policies based on investment needs and the company's stage of development.

Previous research indicates that firm growth, institutional ownership, and liquidity influence firm value, both directly and indirectly through dividend policy. Recent studies such as “ found that high-growth firms tend to reduce dividend payments, while “ showed that institutional ownership plays a role in improving firm performance through oversight mechanisms. Furthermore, Putri and Wiksuana (2021) and Ramirez and Ferrer (2021) found that dividend policy can act as a mediating variable in enhancing firm value.

However, several *research gaps* remain. First, previous research findings show inconsistencies, particularly regarding the direct effects of financial variables on firm value. Second, most studies still focus on direct relationships without comprehensively testing the mediating role. Third, studies that integrate firm growth, institutional ownership, and liquidity into a single model with dividend policy as a mediating variable remain limited, particularly in the manufacturing sector in Indonesia.

Based on this theoretical framework and prior research, this study develops hypotheses to test the direct and indirect effects among the variables by including dividend policy as a mediating variable. This approach is expected to provide a more comprehensive understanding of the mechanisms that influence firm value.

Corporate growth reflects a company's ability to increase its assets and expand its business. According to *the Residual Dividend Theory*, companies will prioritize using profits to finance investments before distributing dividends. Therefore, companies with high growth rates tend to retain earnings to support expansion, thereby reducing dividend payouts (DeAngelo et al . Research also indicates that companies with high growth tend to have lower dividend payout ratios. Thus, the higher a company's growth, the lower its tendency to pay dividends.

H1: Firm growth has a negative effect on dividend policy.

Institutional ownership refers to the proportion of shares held by financial institutions, which possess better monitoring capabilities than individual investors. From an *Agency Theory* perspective, the presence of institutional investors can reduce agency conflicts by encouraging management to act in the best interests of shareholders (Jensen and Meckling

1976) . One form of such oversight is encouraging companies to pay dividends as a control mechanism over the use of profits. The study “ shows that institutional ownership has a positive effect on dividend policy. Therefore, the greater the institutional ownership, the higher the tendency for companies to pay dividends.

H2: Institutional ownership has a positive effect on dividend policy.

Liquidity reflects a company's ability to meet short-term obligations and the availability of its cash holdings. From the perspective of *Signaling Theory*, companies with high liquidity levels have a greater capacity to pay dividends and send positive signals to investors regarding the company's financial condition (Brigham and Houston 2018) . Additionally, companies with strong cash positions tend to be more stable in paying dividends. A study by Putri and Wiksuana (2021) also shows that liquidity has a positive effect on dividend policy. Therefore, the higher a company's liquidity, the greater its tendency to pay dividends.

H3: Liquidity has a positive effect on dividend policy.

A company's growth reflects its ability to increase its assets, sales, and business expansion, serving as an indicator of its future prospects. Based on *Signaling Theory*, a company's growth sends a positive signal to investors regarding the potential for improved company performance, thereby increasing investment interest and the company's value (Hermuningsih 2013) . Companies with high growth rates are generally considered to have greater profit potential in the future. Therefore, a company's growth is expected to increase its value.

H4: Corporate growth has a positive effect on firm value.

Institutional ownership refers to the proportion of shares held by financial institutions, which possess better monitoring capabilities than individual investors. From the perspective of *Agency Theory*, the presence of institutional investors can reduce agency conflicts between management and shareholders through more effective oversight functions (Jensen and Meckling 1976) . Optimal oversight will encourage management to improve corporate performance, transparency, and accountability, thereby increasing investor confidence. Research by Islami et al. (2022) indicates that institutional ownership has a positive effect on firm value. Therefore, the higher the level of institutional ownership, the higher the firm's value.

H5: Institutional ownership has a positive effect on firm value.

Liquidity reflects a company's ability to meet its short-term obligations and indicates the stability of its financial condition. According to *Signaling Theory*, a high level of liquidity sends a positive signal to investors regarding low financial risk and the company's ability to ensure business continuity (Brigham and Houston 2018) . This enhances investor confidence in the company and leads to an increase in corporate value. The study by Adiputra and Hermawan (2020) also indicates that liquidity has a positive effect on corporate value.

H6: Liquidity has a positive effect on firm value.

Dividend policy refers to a company's decision regarding the distribution of profits to shareholders. Based on *the Bird in the Hand Theory*, investors prefer certain dividends over

future capital gains because they are considered safer (Gordon 1963) . Additionally, from the perspective of *Signaling Theory*, dividend payments send a positive signal regarding the company's financial condition and prospects (Bhattacharya 1979) . Previous research indicates that companies that consistently pay dividends tend to have higher firm value because they increase investor confidence.

H7: Dividend policy has a positive effect on firm value.

Company growth does not always directly increase firm value because growing companies tend to retain earnings for investment. However, through dividend policy, companies can send positive signals to investors regarding financial stability and future prospects. Based on *Signaling Theory*, dividends serve as a means of communication between management and investors (Bhattacharya 1979) . Research by indicates that dividend policy can strengthen the relationship between financial variables and firm value. Thus, dividend policy is expected to mediate the effect of firm growth on firm value.

H8: Dividend policy mediates the effect of firm growth on firm value.

Institutional ownership functions as a monitoring mechanism in *Agency Theory* that can reduce agency conflicts between management and shareholders (Jensen and Meckling 1976) . Institutional investors tend to encourage companies to pay dividends as a form of control over the use of profits. From the perspective of *Signaling Theory*, dividend payments send a positive signal to investors regarding the quality of corporate governance and the company's financial condition (Bhattacharya 1979) . Research by indicates that dividend policy can strengthen the relationship between institutional ownership and firm value. Therefore, dividend policy is expected to mediate this relationship.

H9: Dividend policy mediates the effect of institutional ownership on firm value.

Liquidity reflects a company's ability to meet its short-term obligations and indicates stable financial conditions. However, information regarding liquidity levels is not always immediately responded to by investors in the absence of clear signals. From the perspective of *Signaling Theory*, dividend policy serves as a means of communication between management and investors in conveying the company's financial condition (Bhattacharya 1979) . Companies with high liquidity levels have the ability to pay dividends consistently, thereby sending a positive signal to investors regarding the company's financial stability and prospects. Research by Adiputra and Hermawan (2020) indicates that liquidity can influence firm value through dividend policy. Therefore, dividend policy is expected to mediate the relationship between liquidity and firm value.

H10: Dividend policy mediates the effect of liquidity on firm value.

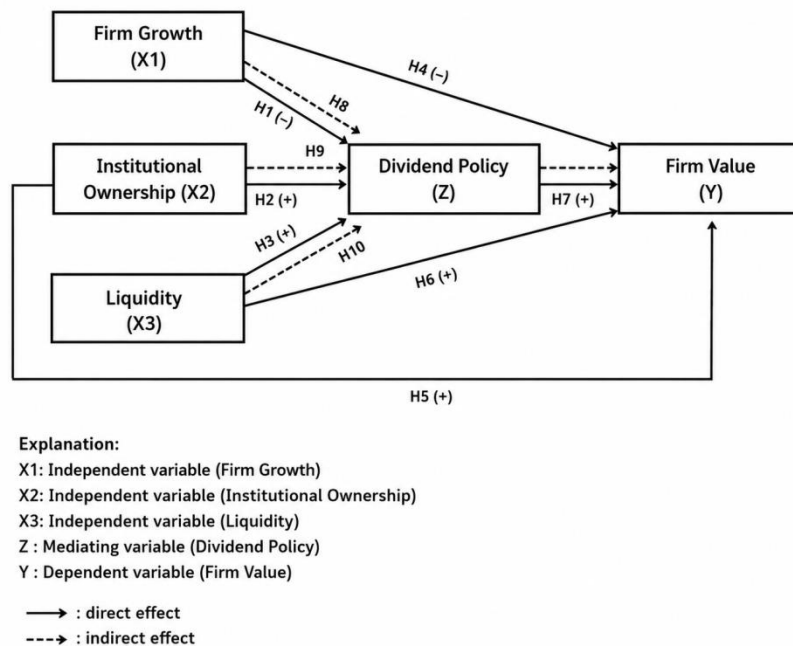


Figure 1 Research Model

RESEARCH METHODOLOGY

This study employs a quantitative approach with an associative research design aimed at testing the relationships among variables, including both direct and indirect effects through mediating variables. The research objects include firm growth, institutional ownership, liquidity, dividend policy, and firm value, while the research subjects are manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period.

The population in this study consists of all manufacturing companies listed on the IDX. The research sample was determined using purposive sampling with the following criteria: (1) companies must have been actively listed during the 2021–2024 period, (2) must have submitted complete financial statements, (3) must have data related to all research variables, and (4) must have distributed dividends during the observation period. The data used consists of secondary data obtained from companies' annual financial statements and annual reports accessed via the official IDX website and the companies' own websites. Data collection was conducted using the documentation method.

The operational definitions of the variables in this study are as follows: firm growth is measured using *asset growth*, which is the change in total assets from the previous period; institutional ownership is measured by the percentage of shares held by institutions relative to total outstanding shares. Liquidity is measured using *the cash ratio*, which is the ratio of cash and cash equivalents to current liabilities. Dividend policy is measured using *the Dividend Payout Ratio (DPR)*, which is the ratio of cash dividends to net income. Firm value is measured using *the Price-to-Book Value (PBV) ratio*, which is the ratio of the stock price to book value per share.

The data analysis technique used is panel data regression with the aid of EViews software to test the relationships among variables. Model selection was performed using the Chow test and the Hausman test. Additionally, classical assumption tests—including tests for multicollinearity, autocorrelation, and heteroscedasticity—were conducted to ensure the model's validity. Hypothesis testing was performed using partial tests (t-tests), simultaneous tests (F-tests), and the coefficient of determination (R^2). To test the mediating role of dividend policy, the Sobel test was used to determine the indirect effects between variables.

RESULTS AND DISCUSSION

This study used a sample of 48 manufacturing companies listed on the Indonesia Stock Exchange during the 2021–2024 period, resulting in a total of 192 observations. The sample was selected using purposive sampling based on specific criteria, such as the availability of financial statements and consistent dividend payments. This sample size was deemed adequate for panel data regression analysis.

Table1 : Results of the Research Sample Selection

Sample Selection Criteria	Number of Companies			
	2021	2022	2023	2024
Manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period	195	202	219	228
Companies that were not actively listed or were delisted during the 2021–2024 period	(2)	(4)	(4)	(5)
Companies that do not publish complete annual financial statements during the 2021–2024 period	(10)	(12)	(15)	(18)
Companies that do not have complete data related to the research variables	(2)	(2)	(3)	(1)
Companies that did not consistently pay dividends every year during the 2021–2024 period	(133)	(136)	(149)	(156)
Companies that meet all the criteria for purposive sampling	48	48	48	48
Total Sample Data (48 companies × 4 periods)	192			

Source: processed data, 2026

Descriptive Statistical Analysis

Table2 Results of Descriptive Statistical Tests

Variable	N	Mean	Minimum	Maximum	Std. Dev.
X1	192	0.072566	-0.192205	0.852150	0.115972
X2	192	0.701161	0.009233	0.999060	0.194032
X3	192	0.945552	0.026033	9.489616	1.131970
Z	192	0.507656	0.010000	1.820000	0.375999
Y	192	3.023490	0.090000	46.96000	5.485085

Source: processed data, 2026

Descriptive statistics show that the average company growth rate is 0.072 (7.25%), indicating relatively moderate asset growth. Institutional ownership averages 0.701 (70.1%), indicating a dominance of institutional ownership. Liquidity has a mean of 0.945 with a high standard deviation, indicating variation in cash conditions among companies. Dividend policy has a mean of 0.507 (50.7%), meaning companies generally distribute half of their profits as dividends. Meanwhile, price-to-book value (PBV) has an average of 3.02 with a high standard deviation, indicating significant differences in market perceptions among companies. Overall, the liquidity and price-to-book value variables show high data variability, while company growth and institutional ownership are relatively more stable.

Panel Data Regression Analysis Model

The purpose of testing the panel data regression model in this study is to determine the estimation approach that best suits the data characteristics—whether to use the Common Effect Model (CEM), Fixed Effect Model (FEM), or Random Effect Model (REM).

Structural Equation I

3 Table Results of the Chow Test for Structural Equation I

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.325312	(47,141)	0.0000
Cross-section Chi-square	217.751076	47	0.0000

Source: processed data, 2026

Based on the results of the Chow Test for Structural I presented in Table 4.3, the cross-sectional F-value was found to be 6.325312 with a probability of 0.0000, and the cross-sectional chi-square value was 217.751076 with a probability of 0.0000. All of these probability values are less than the 5% significance level ($\alpha = 0.05$) (Gujarati and Porter 2009).

Table 4 Results of the Hausman Test for Structural Equation I

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.285434	3	0.0010

Source: processed data, 2026

Based on the test results presented in Table 4, a Chi-square statistic value of 16.285434 was obtained with a probability of 0.0010, which is less than 0.05 (Gujarati and Porter 2009).

Structural Equation II

Table 4 Results of the Chow Test for Structural Equation II

Effects Test	Statistic	d.f.	Prob.
Cross-section F	37.631021	(47,140)	0.0000
Cross-section Chi-square	501.602537	47	0.0000

Source: processed data, 2026

Based on the results of the Chow Test for Structural II in Table 5, the cross-sectional F-value was found to be 37.631021 with a probability value of 0.0000, and the cross-sectional

chi-square value was 501.602537 with a probability of 0.0000. These probability values are smaller than the 5% significance level ($\alpha = 0.05$) (Gujarati and Porter 2009) .

5 Table of Hausman Test Results for Structural Equation Model II

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.792555	4	0.0021

Source: processed data, 2026

Based on the results of the Hausman test presented in Table 4.6, the chi-square statistic is 16.792555 with a p-value of 0.0021, which is less than the significance level of 0.05 (Gujarati and Porter 2009) .

The results of the Chow and Hausman tests show that the best model is the Fixed Effects Model (FEM), which indicates differences in characteristics among companies

Classical Assumption Tests

Classical assumption tests were conducted to ensure that the panel data regression model used in this study met the basic assumptions of regression, so that the estimation results obtained are valid and can be interpreted econometrically.

Structural Equation I

6 Table Results of the Multicollinearity Test for Structural Equation I

Variable	X1	X2	X3
X1	1.000000	-0.106410	-0.051173
X2	-0.106410	1.000000	0.019375
X3	-0.051173	0.019375	1.000000

Source: processed data, 2026

Based on the results of the multicollinearity test in Table 8, it is evident that all correlation coefficients between independent variables are below the tolerance limit of < 0.80 according to Gujarati and Porter (2009) . Thus, the regression model is free from multicollinearity issues, and the variables can be used simultaneously in the research model

Table7 Results of the Autocorrelation Test for Structural Equation I

R-squared	Adjusted R-squared	Durbin-Watson Statistic
0.733887	0.639521	2.440712

Source: processed data, 2026

The results of the autocorrelation test in Table 9 show a Durbin-Watson value of 2.440712, which falls within the range of $1.5 < DW < 2.5$; therefore, there is no autocorrelation in the model (Gujarati and Porter 2009).

Table8 Results of the Heteroscedasticity Test for Structural Equation I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.099634	0.080669	1.235096	0.2188
X1	0.063577	0.041318	1.538704	0.1261
X2	-0.040659	0.114250	-0.355878	0.7225
X3	-0.008400	0.006974	-1.204476	0.2304

Source: processed data, 2026

The results of the heteroscedasticity test show that all variables have probability values above 0.05 (Ghozali 2016) , which means there is no heteroscedasticity. Thus, it can be concluded that Structural Model I does not exhibit heteroscedasticity and the residual variance is constant (homoscedastic).

Structural Equation II

Table9 Results of the Multicollinearity Test for Structural Equation II

Variable	X1	X2	X3	Z
X1	1.000000	-0.106410	-0.051173	-0.319294
X2	-0.106410	1.000000	0.019375	0.251362
X3	-0.051173	0.019375	1.000000	0.171039
Z	-0.319294	0.251362	0.171039	1.000000

Source: processed data, 2026

Based on the results of the multicollinearity test in Table 11, it is evident that all correlation values between independent variables are well below the tolerance limit of < 0.80 according to Gujarati and Porter (2009) , indicating that there is no multicollinearity issue.

Table10 Results of the Autocorrelation Test for Structural Equation II

R-squared	Adjusted R-squared	Durbin-Watson Statistic
0.938741	0.916425	2.059771

Source: processed data, 2026

The results of the autocorrelation test presented in Table 12 show a Durbin-Watson value of 2.059771. This value is around 2, indicating the absence of autocorrelation ($1.5 < DW < 2.5$) (Gujarati and Porter 2009) .

Table11 Results of the Heteroscedasticity Test for Structural Equation II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.041170	1.412083	0.029156	0.9768
X1	0.415025	0.720436	0.576074	0.5655
X2	0.811756	1.961822	0.413777	0.6797
X3	-0.077371	0.120742	-0.640799	0.5227
Z	-0.018119	0.334503	-0.054166	0.9569

Source: processed data, 2026, page 118

Based on the results of the heteroscedasticity test in Table 13, all independent variables have probability values above the 5% significance level (Ghozali 2016) . Therefore, the model is free from heteroscedasticity.

Overall, the results of the classical assumption tests on both equations indicate that the regression model used in this study satisfies the basic assumptions of regression; thus, the resulting estimates are valid, unbiased, and can be used to draw research conclusions.

Hypothesis Testing

Hypothesis testing in this study was conducted using panel data regression through partial tests (t-tests), simultaneous tests (F-tests), and the coefficient of determination (Adjusted R^2) on the two structural equations.

Structural Equation I

12 Table Results of the Partial Test for Structural Equation I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.867616	0.347919	2.493729	0.0138
X1	-0.401204	0.178204	-2.251379	0.0259
X2	-0.401618	0.492753	-0.815051	0.4164
X3	-0.052083	0.030080	-1.731466	0.0856

Source: processed data, 2026

Based on the results of the partial tests in Table 14, which examined the effects of firm growth, institutional ownership, and liquidity on dividend policy, the results indicate that firm growth has a negative and significant effect on dividend policy with a p-value of 0.0259 (< 0.05). Meanwhile, institutional ownership ($p = 0.4164$) and liquidity ($p = 0.0856$) do not have a significant effect on dividend policy because their probability values are above 0.05.

13 Table of Results from the Simultaneous Test of Structural Equation I

Sum of squared residuals	F-statistic	Prob(F-statistic)
7.185749	7.777010	0.000000

Source: processed data, 2026

The F-test results indicate that the three independent variables collectively have a significant effect on dividend policy with a probability value of 0.0000, which is less than the significance level of 0.05 (Gujarati and Porter 2009) .

Table14 Coefficients and Coefficient of Determination for Structural Equation I

R-squared	Adjusted R-squared
0.733887	0.639521

Source: processed data, 2026

The Adjusted R^2 value of 0.6395, or 63.95%, is close to 1 , indicating that 63.95% of the variation in dividend policy can be explained by firm growth, institutional ownership, and liquidity, while the remaining 36.05% is influenced by other variables outside the model.

Structural Equation II

Table15 Results of the Partial Test of Structural Equation II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.915793	2.497149	1.167649	0.2449
X1	1.783345	1.274030	1.399767	0.1638
X2	0.290401	3.469315	0.083706	0.9334
X3	-0.029506	0.213521	-0.138185	0.8903
Z	-0.388911	0.591541	-0.657454	0.5120

Source: processed data, 2026

Based on Table 17, which examines the effects of firm growth, institutional ownership, liquidity, and dividend policy on firm value, the results of the partial tests indicate that none of the variables has a significant effect on firm value. This is indicated by the p-values for firm growth (0.1638), institutional ownership (0.9334), liquidity (0.8903), and dividend policy (0.5120), all of which are greater than 0.05. However, the results of the simultaneous test show that all variables collectively have a significant effect on firm value with a probability value of 0.0000.

16 Table of Results for the Simultaneous Test of Structural Equation II

Sum of squared residuals	F-statistic	Prob(F-statistic)
352.0217	42.06631	0.000000

Source: processed data, 2026

The results of the simultaneous test show that the three independent variables collectively have a significant effect on dividend policy, with a probability value of 0.0000, which is less than the significance level of 0.05 (Gujarati and Porter 2009).

Table17 Results of the Coefficient of Determination for Structural Equation II

R-squared	Adjusted R-squared
0.938741	0.916425

Source: processed data, 2026

The Adjusted R^2 value of 0.9164, or 91.64%, is close to 1, indicating that the model has a very strong ability to explain the variation in firm value.

Sobel Test

Mediation analysis using the Sobel test indicates that dividend policy significantly mediates the effect of firm growth on firm value (p-value 0.027) ($p < 0.05$). However, dividend policy does not mediate the effects of institutional ownership (p-value 0.608) and liquidity (p-value 0.538) on firm value, as their respective p-values are greater than 0.05 (Gujarati and Porter 2009).

Discussion

The results of this study indicate that firm growth has a negative and significant effect on dividend policy. This finding is consistent with *the Residual Dividend Theory*, which states that firms with high growth rates tend to retain earnings to finance investments rather than

pay dividends. These results are consistent with the studies by , which found that growing firms tend to lower their dividend payout ratios. This indicates that firms prioritize expansion over the distribution of profits to shareholders.

Conversely, institutional ownership does not have a significant effect on dividend policy. These results suggest that the presence of institutional investors has not yet been able to encourage management to increase dividend payouts. This finding is inconsistent with the study by , which states that institutional ownership has a positive influence on dividend policy. This discrepancy may be due to the characteristics of institutional investors in Indonesia, who are more oriented toward long-term returns rather than short-term dividends.

Liquidity also does not have a significant effect on dividend policy. This indicates that a company's ability to meet short-term obligations is not always the basis for determining dividend policy. This result is consistent with several previous studies showing that companies are more flexible in allocating cash for various needs, such as investment and operations, rather than solely for dividend distributions.

Furthermore, the study's results indicate that firm growth, institutional ownership, liquidity, and dividend policy do not have a significant effect on firm value. This finding suggests that investors consider not only internal firm factors but also external factors such as economic conditions, market stability, and investor sentiment. These results are consistent with several previous studies that have shown inconsistencies in the impact of financial variables on firm value.

However, the mediation test results indicate that dividend policy mediates the effect of firm growth on firm value. This suggests that dividends serve as an important signal for investors in assessing a firm's prospects, particularly for growing firms. This finding aligns with the research by , which states that dividend policy can strengthen the relationship between financial variables and firm value through a signaling mechanism. Conversely, dividend policy does not mediate the effects of institutional ownership and liquidity on firm value, suggesting that these two variables are not strong enough to influence firm value through the dividend mechanism.

CONCLUSION

This study aims to analyze the effects of firm growth, institutional ownership, and liquidity on firm value, with dividend policy as a mediating variable, among manufacturing firms listed on the Indonesia Stock Exchange for the period 2021–2024. The results show that firm growth has a negative and significant effect on dividend policy, while institutional ownership and liquidity do not have a significant effect on dividend policy. Furthermore, firm growth, institutional ownership, liquidity, and dividend policy do not have a significant effect on firm value. The mediation test results indicate that dividend policy mediates the effect of firm growth on firm value but does not mediate the effects of institutional ownership and liquidity on firm value.

In practical terms, this study indicates that dividend policy continues to play a crucial role as a signal to investors, particularly for companies with high growth rates. Therefore, company management should strategically consider dividend policy as a communication tool with the market. For investors, these findings highlight that investment decisions should not be based solely on internal financial indicators but must also account for external factors and market conditions.

This study has several limitations, including its focus solely on companies in the manufacturing sector, meaning the results cannot yet be generalized to all industrial sectors. Additionally, the variables used are limited to firm growth, institutional ownership, and liquidity, and thus do not encompass other factors such as profitability, capital structure, and macroeconomic conditions. The relatively short study period—2021–2024—also limits the ability to capture long-term dynamics.

Future research is recommended to expand the scope to other sectors so that the results obtained are more generalizable. Furthermore, the inclusion of variables such as profitability, leverage, and macroeconomic factors is expected to yield more comprehensive results. Future research could also employ more complex analytical methods and extend the study period to obtain more accurate and in-depth findings.

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