

The Impact of Corporate Governance and Dividend Policy on Firm Value in Indonesian Non-Financial Firms

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ABSTRACT

Purpose: This research examines the impact of good corporate governance (GCG) and dividend policy on the firm value of non-financial companies listed on the Indonesian Stock Exchange (IDX).

Method: The study focuses on 803 non-financial firms listed on the IDX during 2021 to 2023. From this population, a sample of 45 firms was selected using a purposive sampling method. The research utilized secondary data derived from financial statements of the sampled firms and employed panel data regression analysis conducted with EViews 12 software.

Result: The findings reveal that institutional ownership significantly and positively affects firm value. Conversely, managerial ownership exerts a significant negative impact on firm value. Meanwhile, the proportion of independent commissioners and dividend policy show a positive but statistically insignificant effect on firm value.

Practical Implications for Economic Growth and Development: The study highlights that good corporate governance, particularly institutional ownership, can enhance firm value and potentially driving economic growth by improving market confidence and investment. Additionally, understanding the relationship between dividend policy and firm value can inform better financial strategies that foster long-term stability and growth in non-financial sectors.

Keywords: *good corporate governance, dividend policy, firm value, non-financial firms*

INTRODUCTION

The economic sector plays a crucial role in the development and growth of a nation. One significant element that can promote economic progress is the utilization of the capital market. The financial market functions as a mechanism for companies to raise funds by offering shares or other financial instruments to the public (Permata et al., 2019). Therefore, the capital market has the potential to provide substantial support to a country's economy, including Indonesia.

Firm value is an important factor that investors should consider before making investment decisions (Nisrah, 2022). It represents a specific condition achieved by a company through a series of actions over multiple time periods, from its inception to the present day (Soewarno & Ramadhan, 2020). The Price-to-Book Value (PBV) is a common metric used to assess firm value (Yunan, 2017). According to Syahputra and Idawati (2024), the PBV ratio measures a company's ability to create value from its employed capital. A high PBV ratio indicates that the firm effectively generates value for its owners, while a low ratio suggests the opposite. Researchers often select PBV as a proxy for firm value because it is widely used in empirical finance studies, allowing for easier comparisons with previous research.

Strategic dividend policies and efficient corporate governance are among the many factors that influence firm value (Nisrah, 2022). The Forum for Corporate Governance Indonesia (FCGI) defines efficient corporate governance as a set of regulations that govern interactions



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between government agencies, employees, shareholders, creditors, management, and other stakeholders (FCGI, 2006). Many companies experienced bankruptcy during the Asian economic crisis of 1997–1998, which was largely attributed to poor corporate governance (Astuti, 2024). According to Detiknews (2018), 70% of publicly traded companies in Indonesia faced bankruptcy as a result of the crisis (Hasan, 2018). In response, the Financial Supervisory Authority (OJK) has urged market participants to strengthen their corporate governance practices (Varabi, 2022).

This research uses three metrics to assess the effectiveness of corporate governance: institutional ownership, managerial ownership, and independent commissioners. According to Rahayu and Wahyudi (2024), institutional ownership refers to shares held by entities such as investment firms, pension funds, insurance companies, and banks that oversee management strategies. Managerial ownership reflects shares owned by company management, allowing direct participation in decision-making (Syahrial et al., 2024). Independent commissioners, who have no direct ties to the company, ensure the implementation of good governance practices (Wulansari & Lawita, 2023). Institutional and managerial ownership are key because they significantly influence corporate management decisions aimed at enhancing shareholder value. Independent commissioners are critical because they oversee management decisions and conduct, a fundamental aspect of corporate governance.

In addition to evaluating external governance factors, prospective investors must assess a company's financial health, which is reflected in its financial statements (Falah & Dewi, 2022). Dividend policy is one aspect that reflects a company's financial condition. It determines whether profits are distributed to shareholders or retained by the company (Mulya, 2023). The dividend payout ratio (DPR), expressed as a percentage, measures the proportion of net profit paid out as dividends (Malik & Kodriyah, 2021). An increasing DPR indicates higher returns for shareholders, which can drive demand for the firm's stock and potentially influence both share price and firm value (Fadianti et al., 2019).

This study focuses on the non-financial sector because non-financial companies consistently pay dividends. According to the Indonesia Stock Exchange (IDX), the IDX High Dividend 20 index comprises twenty stocks of companies that have regularly paid cash dividends over the last three years and offer high dividend yields. Among these, 16 issuers, or 80%, belong to the non-financial category. In addition, the annual firm value of listed non-financial companies on the IDX has shown a consistent decline from 2021 to 2023. This downward trend in firm value is likely driven by a decrease in share prices among non-financial corporations. Lower share prices can negatively affect investors' perceptions of a company's worth, ultimately reducing its appeal in the capital market.

Several previous studies have examined the impact of dividend policy and good corporate governance (GCG) on firm value. Research by Thauziad and Kholmi (2021) and Mulya (2023) found that effective corporate governance and dividend policy positively influence firm value. However, Faizal et al. (2024) concluded that firm value is unaffected by good corporate governance. Additionally, an analysis by Leonardo and Mayangsari (2024) indicated that while dividend policy has no impact on firm value, GCG has a significant positive effect.

This study introduces a novel approach by analyzing the impact of GCG and dividend policy using recent data from 2021 to 2023 for non-financial companies listed on the IDX. It addresses gaps in prior research by incorporating three key GCG elements: institutional ownership, managerial ownership, and independent commissioners, alongside dividend policy. Furthermore, it investigates the observed anomaly between rising dividend policies and declining firm values.

Given the diverse findings of earlier studies, this research aims to evaluate and provide deeper insights into how dividend policy and good corporate governance influence the value of non-financial firms listed on the Indonesian Stock Exchange from 2021 to 2023.

METHOD

This study employs a causality associative research design with a quantitative approach. The population consists of 803 non-financial companies listed on the Indonesia Stock Exchange (IDX). The sample selection process focused on identifying companies that remained continuously listed from 2021 to 2023. Only firms that consistently paid dividends each year during this period were included in the sample. Additionally, eligible companies had to exhibit both institutional and managerial ownership during the study timeframe. Using a purposive sampling technique, a final sample of 45 companies was selected from the initial population of 803 non-financial firms listed on the IDX.

Table 1. Sampling Criteria

No	Sampling Criteria	Number of Firms
	Population of non-financial firms listed on IDX until 2023	803
1	Firms not listed on the Indonesian Stock Exchange (IDX) between 2021 and 2023	(145)
2	Firms that did not distribute dividends consecutively from 2021 to 2023	(482)
3	Firms lacking both institutional ownership and managerial ownership during the 2021–2023 period	(131)
	Number of Samples	45

Source: Compiled by the authors (2024)

The data source for this study is secondary data which was collected using documentation techniques. This involved gathering and storing financial statement data from non-financial companies listed on the Indonesia Stock Exchange (IDX). To analyze the relationship between the independent and dependent variables, the study employs panel data regression methods. Hypothesis testing is also conducted. The analysis is performed using EViews 12 statistical software.

In this research, the independent variables (X) include good corporate governance (GCG) which is represented by institutional ownership, managerial ownership, and the number of independent commissioners, as well as dividend policy indicated by the dividend payout ratio (DPR). The dependent variable (Y) is the value of non-financial firms measured by the price-to-book value (PBV).

Table 2. Variables Measurement

Variables	Codes	Formula
Institutional Ownership	IO	$\frac{\text{Number of shares owned by institutions}}{\text{Number of shares outstanding}} \times 100\%$
Managerial Ownership	MO	$\frac{\text{Number of shares of Commissioners and Directors}}{\text{Number of shares outstanding}} \times 100\%$
Independent Commissioner	IC	$\frac{\text{Number of Independent Commissioner Members}}{\text{Total Number of Commissioner Members}} \times 100\%$
Dividend Policy	DP	$\frac{\text{Dividend Per Shares}}{\text{Earning Per Shares}} \times 100\%$
Firm Value	FV	$\frac{\text{Stock Price}}{\text{Book Value of Stock}} \times 100\%$

Source: Compiled by the authors (2024)

Hypotheses Development

Institutional Ownership and Firm Value

Agency Theory, as proposed by Jensen and Meckling (1976), suggests that the opportunistic behavior of management can be more effectively controlled with an increase in institutional ownership. According to Signaling Theory, the presence of institutional investors acts as a positive signal, indicating that the company possesses strong financial potential. Institutional investors, such as banks or pension funds, typically conduct thorough analyses before making investments. As a result, their involvement boosts public trust and enhances the firm's value (Widyaningtyas et al., 2024). Additionally, based on Legitimacy Theory, institutional ownership can further elevate firm value, as these investors are perceived as more socially responsible. This perception provides legitimacy, signaling that the company operates in accordance with social norms, which in turn strengthens its reputation and fosters market trust (Lestari & Zulaikha, 2021).

H1: Institutional ownership has a positive influence on firm value.

Managerial Ownership and Firm Value

According to Jensen and Meckling's (1976) Agency Theory, managers who hold a larger stake in the business are more likely to exercise caution in their decision-making, as they personally bear the immediate consequences of their actions (Zahrah, 2023). Additionally, Signaling Theory suggests that when managers own shares, they send a positive signal regarding their confidence in the company's prospects. Lestari and Zulaikha (2021) further argue that a higher percentage of managerial ownership is linked to improved company performance and greater firm value.

H2: Managerial ownership has a positive influence on firm value.

Independent Commissioner and Firm Value

In Agency Theory, independent commissioners play a crucial role in overseeing management. The theory posits that a higher number of independent commissioners facilitates better management of the company's administration and strengthens the effectiveness of the oversight function, which can ultimately enhance the company's value (Yuliani & Prastiwi, 2021). According to Legitimacy Theory, independent commissioners contribute to maintaining the company's reputation through objective and ethical supervision, which positively impacts the firm's value. Signaling Theory further suggests that the presence of independent commissioners sends a favorable message to investors, signaling that the company prioritizes strong governance. This can increase trust and potentially enhance shareholder value. As the number of independent commissioners increases, the supervision of firm performance becomes more effective, thereby boosting firm value (Damanik & Purnamasari, 2022).

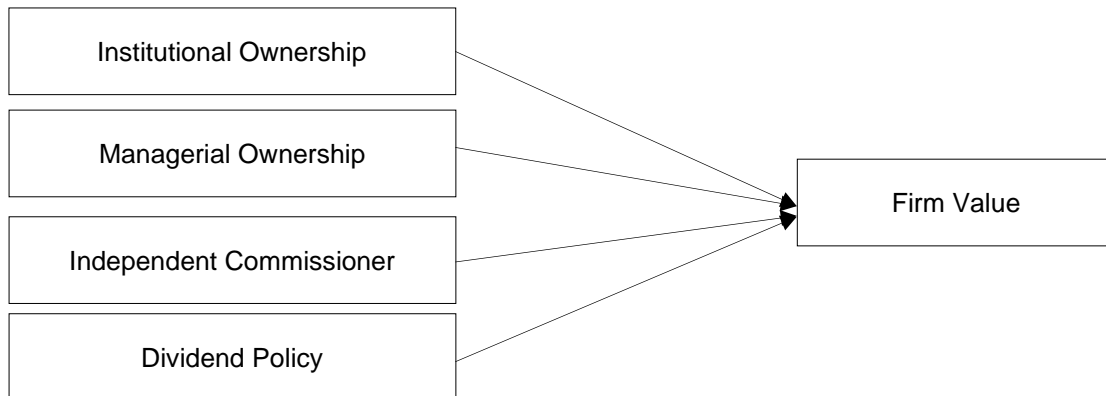
H3: Independent commissioner has a positive influence on firm value.

Dividend Policy and Firm Value

The Bird in the Hand Theory, proposed by Myron Gordon and John Lintner, suggests that dividend policy has a positive impact on firm value. A higher dividend payout or a larger dividend policy increases the share price, thereby enhancing the firm's value, and vice versa. According to Signaling Theory, when a company adopts a high dividend payout policy, it signals to investors that the company is performing well (Rasyid & Darsono, 2022). This positive signal can boost investor confidence, leading to higher demand for stocks and an increase in the firm's value.

H4: Dividend policy has a positive influence on firm value.

Figure 1. Research Framework



Source: Developed by the authors (2024)

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics are commonly used as an analytical tool to provide insights into various aspects of data, such as the average, standard deviation, median, maximum, minimum values, variance, data range, and sample size (Ghozali, 2018).

Table 3. Descriptive Statistics

Statistics	FV	IO	MO	IC	DP
Mean	1.893558	0.594898	0.004393	0.158364	1.098825
Median	1.210000	0.597000	0.003984	0.153846	1.000000
Maximum	9.280000	0.917411	0.071183	0.333333	51.80886
Minimum	0.280000	0.007021	1.87E-08	0.010000	0.03
Std. Dev.	2.183681	0.206249	0.012890	0.065869	4.741508
Skewness	2.183821	-0.270843	4.837072	0.479219	9.6416
Kurtosis	7.653025	2.665477	19.41202	3.322928	100.2704
Jarque-Bera	229.5116	12.35482	1887.416	5.481918	55312.72
Probability	0.000000	0.018397	0.000000	0.065157	0
Sum	255.8300	74.23439	0.608081	21.37672	148.4313
Sum Sq. Dev.	440.7749	8.391721	2.389059	0.429116	30125.71
Observations	135	135	135	135	135

Source: Processed data (2024)

For the variable "Good Corporate Governance," represented by institutional ownership (IO), the descriptive statistics shown in Table 3 indicate an average value of 0.549888, a median of 0.597000, a maximum of 0.917411, a minimum of 0.000721, and a standard deviation of 0.250249. Similarly, for the variable managerial ownership (MO), the average is 0.048939, with a median of 0.003964, a maximum value of 0.711883, a minimum value of 0.870000, and a standard deviation of 0.132980. Regarding the variable of independent commissioners, the statistics reveal an average of 0.158346, a median of 0.153864, a maximum of 0.333333, a minimum of 0.010000, and a standard deviation of 0.056589. For the dividend payout ratio (DP), which represents the company's dividend policy, the descriptive statistics show an average of 0.098625, a median of 0.500000, a maximum value of 5180886, a minimum of 0.030000, and a standard deviation of 4.741506. Lastly, for the price-to-book ratio (PB), which

is used to represent firm value (FM), the statistics are as follows: an average of 1.893556, a median of 1.210000, a maximum value of 9.590000, a minimum value of 0.260000, and a standard deviation of 1.813661.

Chow Test

The purpose of this analysis is to determine the more suitable model between the joint effects model (CEM) and the fixed effects model (FEM). Specifically, if the chi-square test yields a p-value less than 0.05, the FEM is deemed the more appropriate model. Conversely, if the p-value exceeds 0.05, the CEM is considered a better fit for the data.

Table 4. Chow Test

Effect Test	Statistic	df	Prob
Cross-section F	0.752608	-3.3	6.268
Cross-section Chi-square	5.893178	3	1.224

Source: Processed data (2024)

The Common Effect Model (CEM), as presented in Table 4, was selected based on the cross-sectional chi-square probability value of 0.1224 which exceeds the 0.05 threshold.

Lagrange Multiplier Test

The Lagrange Multiplier test is used to determine the more appropriate model between the random effects model (REM) and the common effects model (CEM). If the test results yield a p-value less than 0.05, the REM is considered the appropriate model. Conversely, if the p-value exceeds 0.05, the CEM model is more suitable.

Table 5. Lagrange Multiplier Test

Test	Cross-section	Time	Both
Breusch-Pagan	1.389.713 (0.2503)	1.420.531 (0.2451)	2.791.432 (0.0959)
Honda	-1.184.617 (0.8879)	1.197.796 (0.1276)	9.356 (0.4972)
King-Wu	-1.184.617 (0.8879)	1.197.796 (0.1276)	-230.916 (0.5885)
Standardized Honda	-679.248 (0.7606)	1.241.252 0.1182	-3.127.599 (0.9992)
Standardized King Wu	-679.248 (0.7606)	1.241.252 (0.1182)	-3.467.514 (0.9998)
Gourieroux, et al.	-	-	1.421.631 (0.2520)

Source: Processed data (2024)

The null hypothesis for the LM test is that there are no random effects (i.e., the common effects model is more suitable). Based on the p-values from the tests, we observe that for all tests (Breusch-Pagan, Honda, King-Wu, and their standardized versions), the p-values exceed the 0.05 threshold, indicating that we fail to reject the null hypothesis. This suggests that there is no significant evidence to support the presence of random effects, and as a result, the Common Effects Model (CEM) is more appropriate for this dataset.

Normality Test

This test utilizes the Jarque-Bera statistic as an indicator of normality. If the p-value is below 0.05, the data are considered to deviate from a normal distribution. Conversely, if the p-value exceeds 0.05, the data are considered normally distributed (Setyanto & Asyik, 2018). The results of the Jarque-Bera normality test show a p-value of 0.00000, which is below 0.05, indicating that the data do not follow a normal distribution. In such cases, data transformation is recommended to address non-normality (Gujarati & Porter, 2009).

After applying data transformation, the normality test results show a Jarque-Bera p-value of 0.136383, which is greater than 0.05. This suggests that post-transformation, the data follow a normal distribution, thus confirming the appropriateness of the regression model and satisfying the normality assumption.

Multicollinearity Test

To assess whether the independent variables in the regression model are highly correlated, a multicollinearity test is performed. A common criterion for detecting multicollinearity is a tolerance value below 0.10 or a Variance Inflation Factor (VIF) value greater than 10 (Ghozali, 2018). If either of these conditions is met, it suggests the presence of multicollinearity, which may warrant further investigation or the modification of the model.

Table 6. Multicollinearity Test

	IO	MO	IC	DP
IO	1.000000	-0.02880	0.038096	0.043735
MO	-0.028798	1.000000	0.040480	0.069138
IC	0.038096	0.004048	1.000000	-0.116133
DP	0.043735	0.069138	-0.116133	1.000000

Source: Processed data (2024)

From Table 6, the results of the multicollinearity assessment show that the correlation coefficients among the independent variables are consistently below 0.10. This indicates that the study's findings are free from multicollinearity issues among the independent variables, suggesting that the variables are not highly correlated and can be considered independently in the regression model.

Heteroscedasticity Test

To determine whether the variance of the residuals in the regression model differs across observations, a heteroscedasticity test is conducted. Heteroscedasticity is assumed to be absent if the correlation between the independent variable and the absolute residual has a significance level greater than 0.05. The p-value exceeds 0.05 suggesting that the variance of the residuals is constant, indicating the absence of heteroscedasticity.

Table 7. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.478756	0.157707	3.035737	0.0092
IO	0.033468	0.145003	0.230813	0.8178
MO	-0.574908	0.382928	-1.501349	0.1357
IC	0.291592	0.281867	1.034505	0.3028
DP	-0.000818	0.004164	-0.196534	0.8454

Source: Processed data (2024)

Table 7 shows that the heteroscedasticity test for the four independent variables yields a significance value of ≥ 0.05 . Therefore, the regression model used does not exhibit issues with heteroscedasticity.

Autocorrelation Test

This assessment is conducted to determine if there is a relationship between errors or hidden errors in the regression model. According to Nachrowi and Usman (2002), the autocorrelation test is interpreted based on the following criteria: 1. A Durbin-Watson (DW) statistic lower than 2 indicates the presence of positive autocorrelation. 2. DW values between -2 and +2 suggest that no autocorrelation exists. 3. A DW statistic greater than +2 indicates negative autocorrelation.

Table 8. Autocorrelation Test

R-squared	0.102898	Mean dependent var	0.052792
Adjusted R-squared	0.075295	S.D. dependent var	0.217390
S.E. of regression	0.209045	Sum squared resid	5.680992
F-statistic	3.727764	Durbin-Watson stat	1.614485
Prob(F-statistic)	0.006615		

Source: Processed data (2024)

Table 8 presents the results of the autocorrelation test, which indicates that no autocorrelation is present. The Durbin-Watson value of 1.614485 falls between -2 and +2, suggesting the absence of autocorrelation.

Hypotheses Testing

The partial test (t-test) is employed to examine the individual impact of each independent variable on the dependent variable. The results from the test, conducted at a 5% significance level based on the chosen regression model presented in Table 9, provide the following insights. The variable "institutional ownership (IO)" shows a significance value of 0.0216 (2.16%) and a coefficient of 0.118380. Since the significance value is below the 5% threshold ($0.0216 < 0.05$), it suggests that institutional ownership has a significant positive impact on firm value. This indicates that higher institutional ownership is associated with an increase in the firm's value.

On the other hand, the variable "managerial ownership (MO)" has a significance value of 0.0383 (3.83%) and a coefficient of -0.034734. Given that the significance value is below the 5% threshold ($0.0383 < 0.05$), it implies that managerial ownership has a significant negative impact on firm value. This suggests that higher managerial ownership tends to decrease the firm's value. The variable "independent commissioner (IC)" presents a significance value of 0.2722 (27.22%) and a coefficient of 0.250083. As the significance value exceeds the 5% threshold ($0.2722 > 0.05$), this indicates that the presence of independent commissioners does not have a statistically significant impact on firm value. Despite the positive coefficient, the relationship is not significant.

Lastly, the variable "dividend policy (DP)" has a significance value of 0.3508 (35%) and a coefficient of 0.066252. Since the significance value is greater than the 5% criterion ($0.3508 > 0.05$), it suggests that dividend policy does not significantly impact firm value. Although the coefficient is positive, the lack of statistical significance indicates that the relationship is not strong enough to draw any conclusions about its impact on firm value.

Table 9. Hypotheses Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Conclusion
C	0.489136	0.255361	1.915466	0.0578	
IO	0.118380	0.050907	2.325408	0.0216	H1 is accepted
MO	-0.034734	0.016597	-2.092766	0.0383	H2 is rejected
IC	0.250083	0.226796	1.102676	0.2722	H3 is rejected
DP	0.066252	0.070752	0.936393	0.3508	H4 is rejected

Source: Processed data (2024)

Discussion

Institutional Ownership on Firm Value

The finding reveals that institutional ownership, as a proxy for Good Corporate Governance, exerts a significant positive impact on firm value. This finding leads to the acceptance of Hypothesis 1 (H1), indicating that the relationship between the proportion of institutional ownership and firm value is directly proportional. Specifically, as the proportion of institutional ownership increases, the firm's value also increases, and conversely, a decrease in institutional ownership leads to a decline in firm value.

This result is consistent with prior research by Thauziad & Kholmi (2021), Mulya (2023), Suhartono et al. (2022), and Leonardo & Mayangsari (2024), all of which affirm that institutional ownership has a positive and significant effect on firm value. These studies highlight that institutional investors play a crucial role in enhancing the firm's overall value through their involvement and oversight.

The findings also align with agency theory, which posits that institutional ownership can mitigate conflicts between managers and shareholders, thus promoting firm value growth. The presence of institutional ownership is expected to bolster management supervision, ensuring that managerial decisions align with shareholders' interests (Suhartono et al., 2022). Additionally, signaling theory supports this outcome, suggesting that the acquisition of shares by institutional investors is often perceived by the market as a positive signal. Such investments lead to improved investor perceptions and higher valuations of the firm (Kudus & Meidiyustiani, 2022). Furthermore, legitimacy theory underscores the importance of institutional investors in promoting sustainability and corporate social responsibility (CSR), areas that contribute to strengthening public trust and enhancing the firm's reputation and value (Dewi & Sanca, 2023).

Managerial Ownership on Firm Value

The analysis indicates that managerial ownership, as a proxy for Good Corporate Governance, has a significant negative effect on firm value. Based on these findings, Hypothesis 2 (H2) is rejected, which suggests an inverse relationship between managerial ownership and firm value. Specifically, as the proportion of managerial ownership increases, the firm's value decreases, and conversely, when managerial ownership decreases, the firm's value increases.

This outcome is consistent with previous research by Ramadhan & Munawaroh (2024), which demonstrates that managerial ownership negatively impacts firm value. According to Anggita et al. (2022), a higher percentage of shares held by managers tends to result in decisions that benefit the managers personally, which may not align with the best interests of the company. Consequently, this can harm the overall performance of the company, leading to a decline in firm value.

Additionally, these findings align with Behavioral Finance Theory, which suggests that high managerial ownership may trigger cognitive biases such as overconfidence and excessive conservatism. These biases can lead to suboptimal decision-making, negatively affecting the

company's worth (Putri, 2024). Thus, the negative relationship between managerial ownership and firm value supports the idea that when managers have a large stake in the firm, their personal interests may conflict with those of shareholders, ultimately harming the company's financial performance.

Independent Commissioner on Firm Value

The analysis found that independent commissioners, as a proxy for Good Corporate Governance, have a positive but statistically insignificant effect on firm value. Based on this finding, Hypothesis 3 (H3) is rejected, suggesting that the proportion of independent commissioners does not have a significant impact on firm value, despite a positive relationship.

This result is consistent with prior research by Fadila & Rahmiyatun (2024), Prasetya & Lastanti (2023), Susetyo & Werdaningtyas (2019), and Setyanto & Asyik (2018), all of which confirm that independent commissioners do not significantly influence the company's value. These studies highlight that the presence of independent commissioners does not necessarily translate into enhanced firm performance or value.

According to Resource Dependency Theory, independent commissioners are expected to provide external resources and expertise that benefit the company. However, if these commissioners do not fully utilize their resources or if the company fails to leverage their expertise, their presence may not contribute effectively to increasing firm value (Pradito, 2021). Additionally, Fadila & Rahmiyatun (2024) note that independent commissioners typically do not engage in the daily operations of the business, and their role is often perceived as having minimal influence on firm value. Furthermore, Susetyo & Werdaningtyas (2019) argue that the ratio of independent commissioners is not the key determinant of the effectiveness of the management system or corporate governance. Therefore, the limited impact of independent commissioners on firm value suggests that their role in enhancing firm performance may not be as significant as commonly assumed.

Dividend Policy on Firm Value

The finding reveals that the dividend payout ratio, as a proxy for dividend policy, has an insignificant positive effect on firm value. Based on this finding, Hypothesis 4 (H4) is rejected, suggesting that there is no significant relationship between dividend policy and firm value, despite a positive correlation.

This outcome aligns with previous research conducted by Thauziad & Kholmi (2021) and Leonardo & Mayangsari (2024), both of which affirm that dividend policy does not significantly affect a company's value. These studies indicate that the allocation of dividends does not necessarily translate into an increase or decrease in firm value.

The findings are also consistent with Dividend Irrelevance Theory, introduced by Modigliani and Miller (1961), which posits that dividend payments do not directly influence firm value. According to this theory, under ideal market conditions (i.e., the absence of taxes, transaction costs, and information asymmetry), dividend policy is not a determining factor for a firm's value. Instead, the firm's ability to generate earnings from its resources is what drives its value, rather than the decision to distribute profits as dividends or reinvest them (Siagian, 2020).

Additionally, Tax Preference Theory, proposed by Litzenberger and Ramaswamy (1979), further supports the argument that dividend policy, including the dividend payout ratio, does not have a substantial effect on firm value. This theory suggests that investors typically prefer capital gains over dividends, as taxes on capital gains are often lower or can be deferred, whereas taxes on dividends are immediately applied upon receipt (Arum & Rahayu, 2022). Therefore, the lack of a significant relationship between dividend policy and firm value in this study is consistent with these established theoretical frameworks.

CONCLUSION

This study examines how dividend policy and good corporate governance (GCG) affect the firm value of non-financial companies listed on the Indonesian Stock Exchange (IDX). The results reveal that managerial ownership has a significant negative impact on firm value, while institutional ownership has a significant positive effect. However, the study finds that dividend policy and independent commissioners have only a minimal effect on the firm value of non-financial firms.

The findings of this study have practical implications for enhancing the institutional ownership structure as a means of improving firm value. Companies should focus on strengthening institutional ownership, as it has been shown to positively influence firm value. On the other hand, firms must exercise caution in managing managerial ownership to avoid conflicts of interest that could harm the company's performance. Additionally, the role of independent commissioners requires further evaluation, as their impact on firm value appears to be minimal. Companies should assess whether independent commissioners are fulfilling their supervisory duties effectively.

Future studies could explore additional factors that may influence firm value, such as financial performance, business risk, and asset structure. Furthermore, research could investigate the role of economic conditions or market dynamics as moderating variables, which may affect the relationship between GCG and firm value.

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