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THE ROLE OF CORPORATE GOVERNANCE ATTRIBUTES IN MODERATING THE IMPACT OF DIVIDEND POLICY ON FIRM VALUE: EVIDENCE FROM THE INDONESIAN MANUFACTURING SECTOR

HAMZAH FAHREZA GYMNASTIAR*
HASAN MUKHIBAD
NOOR ISMAWATI JAFAR

Universitas Negeri Semarang
Sekaran, Gunung Pati, Semarang City, Central Java 50229

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Corresponding author:
hamzahfahreza2002@students.unnes.ac.id

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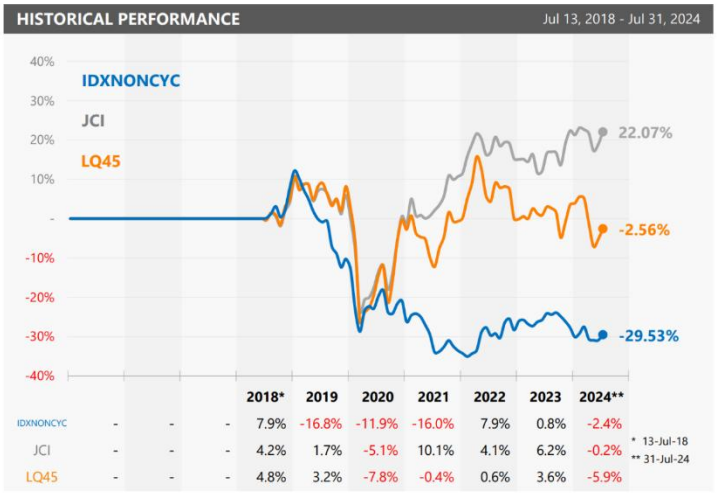
Abstract**:** *To date, empirical findings on the relationship between dividend policy and firm value remain inconsistent, particularly in emerging markets with relatively weak governance quality and investor protection. Unlike other studies that only examine the direct effects, this study includes several indicators of good corporate governance (GCG), namely the proportion of independent commissioners, board meeting frequency, board busyness, and board size, as moderating variables. Panel data regression was performed to analyze a sample of 45 manufacturing companies in the primary consumer goods sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The results indicate that dividend policy has no significant direct impact on firm value. However, board independence and board size magnify the effect of dividend policy on firm value, while board busyness weakens it. Board meeting frequency, on the other hand, exerts no effect on this relationship. These findings suggest that the effectiveness of dividend policy depends on the quality of governance. This study provides new evidence from Indonesia and has practical implications for companies and regulators seeking to improve the credibility of governance in dividend policy decision-making.*

Keywords: Firm Value, Dividend Policy, Corporate Governance, Emerging Markets

INTRODUCTION

Firm value is a crucial element that reflects a company's financial health, operational efficiency, and long-term strategic prospects. It serves as a comprehensive measure that captures both tangible performance and intangible market sentiment (Kunci et al., 2023). In the context of corporate finance, firm value reflects how effectively a firm manages its assets to create shareholder wealth and is therefore frequently considered a central objective of management decision-making. In this regard, firm value is viewed not only as a financial metric but also as a signal of a company's effectiveness in responding to stakeholder expectations in a dynamic and uncertain business environment. In Indonesia, firm value has broader implications beyond company performance; it functions as a benchmark for investor trust, which is vital for a developing economy with emerging capital markets. The primary consumer goods sector plays a significant role in preventing trade deficits in important commodities, such as sugar. According to Statistics Indonesia (BPS), Indonesia's imports of sugar increased from 4,090,053 tons in 2019 to 6,007,602 tons in 2022. This emphasizes the strategic importance of the primary consumer goods sector in ensuring domestic supply and supporting national economic stability. Thus, in Indonesia, firm value serves as both a barometer of individual firm success and a reflection of national economic development through capital

market activity (Mishra et al., 2024). The historical performance of the primary consumer goods sector in Indonesia from July 2018 to July 2024 is presented in Figure 1.



Source: Indonesian Stock Exchange

Figure 1. Historical Performance of Primary Consumer Goods Index (July 2018 – July 2024)

Despite its importance, data show that firm value in several key sectors in Indonesia has dropped significantly in recent years. The primary consumer goods manufacturing sector (IDX NONCYC), for example, recorded a year-on-year return of -16.8% in 2019, which was in stark contrast to the LQ45 index of +3.2%. Due to the COVID-19 pandemic, returns experienced a further decrease to -11.9% in 2020, compared to the overall JCI return of –5.1%. Between 2018 and 2024, this sector suffered a cumulative decline of -29.53%, underperforming both the LQ45 and JCI indices.

Within a company, dividend policy is often interpreted as a signal of firm stability and earnings quality, thus having the possibility of influencing firm value. However, the literature on this subject presents conflicting results. For instance, Njoku and Lee (2024) and Bossman et al. (2022) have reported a positive effect of dividend policy on firm value, whereas Putri and Mulyandini (2023) and Zhao (2023) have shown that dividend policy can negatively affect firm value under certain conditions. Meanwhile, Suprayoga and Setiyono (2022) and Winoto and Rudiawarni (2024) have found no significant relationship between these two elements.

Good corporate governance (GCG) is widely recognized for its role in enhancing firm value by ensuring managerial accountability and aligning corporate decisions with stakeholder interests. Both signaling theory and stakeholder theory can provide theoretical justification for the moderating role of GCG in the relationship between dividend policy and firm value.

The signaling theory views dividend policy as a signal of firm performance and prospects to investors. Nevertheless, the credibility of this signal largely depends on the effectiveness of governance mechanisms that oversee and limit managerial discretion. With a strong corporate governance structure, the transparency and reliability of signals conveyed through dividend announcements can be enhanced. Thus, GCG can bolster investor confidence that dividend decisions truly reflect the company's fundamentals rather than management opportunism.

From the perspective of the stakeholder theory, GCG functions as a governance framework that ensures balanced consideration of the interests of various stakeholders, including shareholders, employees, and creditors. Firms with higher GCG quality are more likely to make dividend decisions that are sustainable and aligned with long-term stakeholder value creation. In this context, GCG moderates the impacts of dividend policy on firm value by influencing how effectively managerial actions translate into stakeholder trust and market reputation. The positive influences of GCG on firm value in both developed and emerging markets have been reported in prior empirical studies by Rosia et al. (2023) and Ebbini et al. (2024), confirming that governance mechanisms not only improve firm performance directly but also enhance the effectiveness of other strategic policies, including dividend decisions, in creating firm value.

Considering the declining performance of the Indonesian manufacturing sector and inconsistent findings reported in the literature, this study investigates the impact of dividend policy on firm value while incorporating the moderating effects of corporate governance mechanisms. Unlike previous research, this study focuses specifically

on the primary consumer goods manufacturing subsector and involves four corporate governance moderators, namely independent commissioners (board independence), board meeting frequency, board busyness, and board size. By employing a multidimensional approach, this study aims to provide more detailed insights into how corporate governance interacts with dividend policy to influence firm value in a competitive and uncertain economic environment.

THEORETICAL FRAMEWORK AND HYPOTHESES

Signaling Theory

Signaling theory was first proposed by Spence (1973) to explain how informed parties provide signals to investors about the condition of a company. According to Brigham and Houston (2018), signals are actions taken by companies to provide investors with clues about management's views on the company's prospects. These signals manifest as useful information for investors (Deng et al., 2024; Mishra et al., 2024), such as the steps taken by management to achieve the objectives of the company's owners (Deng et al., 2024). Investors and other business stakeholders can use this information as a basis for making investment decisions (Wirama et al., 2024). After being disclosed by the company, investors will analyze and interpret the information to determine whether it is a positive signal that is beneficial for them or a negative signal that is detrimental to them (Fitriani & Nurdiniah, 2024; Nurmala & Adiwibowo, 2024).

Stakeholder Theory

Stakeholder theory is one of the most influential theories in business and is often referred to in studies on the subject. This theory explains the relationship between stakeholders and the company in terms of how they influence company management. Stakeholders have the power to affect how the company manages its human resources and natural resources as sources of its operations. This theory views that company integrity encompasses the management's interactions with related parties (Mukhibad et al., 2022).

According to the stakeholder theory, a company depends on both its shareholders and other parties directly or indirectly involved in the company's activities in maintaining its business (Ebbini et al., 2024). Comprehensive and transparent reporting to make decisions on actions taken for stakeholders demonstrates effective relationships between stakeholders and the company (Alofaysan et al., 2024; Pekovic & Vogt, 2021; Riyadh et al., 2022).

Dividend Policy and Firm Value

Under the signaling theory, dividends are interpreted as signals that reveal management's private information about a company's future performance. Investors often interpret the decision of a company to consistently pay dividends or increase the amount of paid dividends as a sign of stable or growing cash flows, thus increasing the company's perceived value (Njoku & Lee, 2024). Firm value is an economic concept that reflects the value of an entity at a specific point in time, which can be determined based on the company's book value or market value, and can be calculated using multiple approaches. This notion is supported by empirical studies on this topic. For example, Njoku and Lee (2024) have reported the significant effects of dividend announcements in emerging markets on stock price movements, indicating their strength as financial signals. Bossman et al. (2022) reveal that higher dividend payouts improve investor confidence, particularly when accompanied by transparent financial reporting. Another study conducted in Southeast Asia, however, has found that dividends may lose their signaling value if corporate governance is weak, leading to insignificant effects on firm value (Suprayoga & Setiyono, 2022). In this study, the first hypothesis is proposed as follows:

H1: Dividend policy has a positive effect on firm value.

The Moderating Role of Good Corporate Governance Attributes

By providing objective oversight, independent commissioners can enhance corporate governance. Their detachment from internal management strengthens internal controls and signals the company's commitment to ethical practices (Mishra et al., 2024; Mukhibad & Setiawan, 2022). Within the framework of the signaling theory, board independence improves the credibility of dividend policy by ensuring that the decisions made by the company reflect its true financial strength. Empirical evidence supports the positive moderating effect of independent commissioners on the relationship between dividend policy and company value (Ebbini et al., 2024; Khanh et al., 2020; Singh et al., 2018). Therefore, the second hypothesis is proposed as follows:

H2: Board independence positively moderates the relationship between dividend policy and firm value.

Board meetings function as a central governance mechanism to ensure alignment between strategic decisions and stakeholder interests. Frequent meetings enhance transparency and oversight, as well as enable timely responses to strategic opportunities and risks (Alofaysan et al., 2024; Khanh et al., 2020). In Indonesia, board meetings were often conducted online during the outbreak of the COVID-19 pandemic due to large-scale social restrictions (*Pembatasan Sosial Berskala Besar*/PSBB). Nevertheless, this ensures continuity in governance despite physical limitations (Biswas et al., 2025; Mishra et al., 2024). Thus, the third hypothesis is proposed as follows:

H3: Board meetings positively moderate the relationship between dividend policy and firm value.

The busyness of the board members, on the other hand, can reduce the effectiveness of corporate governance (Singh et al., 2018). Directors who are too busy may not have sufficient time to adequately supervise management, attend important meetings, or participate in strategic discussions. This lack of involvement weakens oversight and can lead to poor decision-making. As a result, stakeholders may lose their confidence, potentially disregarding positive signals that dividends are intended to convey (Khanh et al., 2020). Therefore, the fourth hypothesis is proposed as follows:

H4: Board busyness negatively moderates the relationship between dividend policy and firm value.

When optimally configured, board size enhances strategic depth and governance capacity. Larger boards offer greater diversity in skills, industry experience, and perspectives, ultimately improving decision quality and risk oversight (Pekovic & Vogt, 2021). This breadth of expertise supports more effective board structures and encourages transparency and compliance. From a stakeholder perspective, broader representation ensures that decisions consider multiple interests, which can enhance firm value and reputation (Ebbini et al., 2024; Mishra et al., 2024). A larger board is therefore expected to amplify the positive effect of dividend policy on firm value by enhancing credibility and stakeholder confidence. Thus, the fifth hypothesis is proposed as follows:

H5: Board size positively moderates the relationship between dividend policy and firm value.

Figure 2 depicts the conceptual framework of this study.

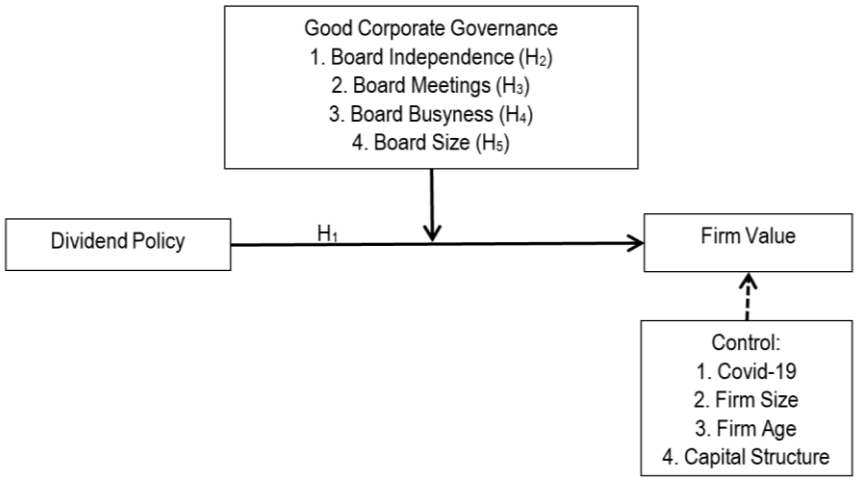


Figure 2. Research Model

RESEARCH METHODS

Research Design

In this study, a moderated regression analysis was performed using STATA 14, involving firm value (TOBINSQ) as the dependent variable, dividend policy (DPR) as the independent variable, and board independence (BIND), board meeting frequency (BMEET), board busyness (BBUSY), and board size (BSIZE) as the moderating variables. Furthermore, the control variables include the COVID-19 pandemic (COVID), firm size (SIZE), firm age (AGE), and capital structure (DAR).

Population and Sampling

The study population consisted of all manufacturing companies in the primary consumer goods sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, totaling 113 companies. Purposive sampling was employed to collect a sample of 45 companies with 202 units of analysis, with the sampling criteria as follows:

Table 1. Purposive Sampling

No	Criteria	Excluded	Included
1.	Companies listed consecutively on the IDX during the 2019–2023 period		113
2.	Companies that reported financial and annual reports during the 2019–2023 period	(17)	96
3.	Companies that paid cash dividends for at least two years during the 2019–2023 period	(51)	45
	Total sample		45
	Years of observation		5
	Total units of analysis		225
	Incomplete sample data		(23)
	Total number of overall analysis units		202

Source: Data processing (2025)

Research Models

To test the hypotheses, this study used five regression models as follows:

$$\text{Tobin's Q} = \alpha + \beta 1DPRit + \beta 2BINDit + \beta 3BMEETit + \beta 4BBUSYit + \beta 5BSIZEit + \beta 6COVIDt + \beta 7SIZEit + \beta 8AGEit + \beta 9DARit + \varepsilon it \quad (1)$$

$$\text{Tobin's Q} = \alpha + \beta 1DPRit + \beta 2BIND*DPRit + \beta 3BINDit + \beta 4BMEETit + \beta 5BBUSYit + \beta 6BSIZEit + \beta 7COVIDt + \beta 8SIZEit + \beta 9AGEit + \beta 10DARit + \varepsilon it \quad (2)$$

$$\text{Tobin's Q} = \alpha + \beta 1DPRit + \beta 2BMEET*DPRit + \beta 3BINDit + \beta 4BMEETit + \beta 5BBUSYit + \beta 6BSIZEit + \beta 7COVIDt + \beta 8SIZEit + \beta 9AGEit + \beta 10DARit + \varepsilon it \quad (3)$$

$$\text{Tobin's Q} = \alpha + \beta 1DPRit + \beta 2BBUSY*DPRit + \beta 3BINDit + \beta 4BMEETit + \beta 5BBUSYit + \beta 6BSIZEit + \beta 7COVIDt + \beta 8SIZEit + \beta 9AGEit + \beta 10DARit + \varepsilon it \quad (4)$$

$$\text{Tobin's Q} = \alpha + \beta 1DPRit + \beta 2BSIZE*DPRit + \beta 3BINDit + \beta 4BMEETit + \beta 5BBUSYit + \beta 6BSIZEit + \beta 7COVIDt + \beta 8SIZEit + \beta 9AGEit + \beta 10DARit + \varepsilon it \quad (5)$$

Variables and Measurements

Table 2. Summary of Operational Variables

Type of Variable	Name	Variable Measurement	Hypothesis (Expected Sign)	Source of Data
Dependent	Firm Value	Sum of Market Value of Equity and Book Value of Liabilities divided by Book Value of Total Assets	TOBIN'S Q	Financial Statement & Annual Report
Independent	Dividend Policy	Total Dividend divided by Net income after tax	DPR (+)	Financial Statement & Annual Report
Moderating	Board Independence	Number of Independent Commissioners divided by Total Number of Board Commissioners	BIND (+)	Annual Report
	Board Meetings	Number of meetings attended by board members annually	BMEET (+)	Annual Report
	Board Busyness	Number of positions of directors occupied in other firms	BBUSY (-)	Annual Report
	Board Size	Number of board members in the firm	BSIZE (+)	Annual Report
Control	COVID-19	Given the number 1 for the years when the COVID-19 pandemic occurred (2019 and 2020), and 0 for the years when the COVID-19 pandemic did not occur	COVID (-)	Global Issues
	Firm Size	Natural logarithm of total assets	SIZE (-)	Financial Statement & Annual Report
	Firm Age	The year of observation in the study subtracted from the year the company went public (IPO)	AGE (+)	Financial Statement & Annual Report
	Capital Structure	Total debt divided by total assets	DAR (-)	Financial Statement & Annual Report

Source: Data processing (2025)

RESULTS AND DISCUSSION

Results

In this study, descriptive statistics and multicollinearity tests (Table 3), as well as panel diagnostics and classical assumption tests (Table 4), were performed on the variables. Furthermore, an independent sample t-test was done to test the direct effect and the moderated effects of dividend policy on firm value (Table 5).

Descriptive Statistics and Multicollinearity Test

Table 3 presents the results of the descriptive statistics and multicollinearity tests on the study variables.

Table 3. Descriptive Statistics and Multicollinearity Test

Variable	Mean	Std. Dev	Min	Max	VIF < 10
TOBINSQ	1.752724	1.789314	0.3924032	14.01523	
DPR	1.060172	7.525782	-2.871033	106.8509	1.03
BIND	0.423727	0.1163541	0.2	0.83333	1.31
BMEET	18.25743	6.299575	10	50	1.06
BBUSY	8.772277	11.03399	0	63	1.37
BSIZE	10.36634	3.128183	5	19	1.70
COVID	0.3712871	0.4843494	0	1	1.05
AGE	19.68317	11.40955	0	42	1.17
DAR	0.4502864	0.194988	0.0093862	0.8315083	1.21
SIZE	29.6789	1.357929	27.37466	32.85992	1.73

Source: Data processing in STATA 14 (2025)

As shown in Table 3, firm value (TOBINSQ) has a mean of 1.7527 and a standard deviation of 1.7893. The lowest value (0.3924) was recorded by PT Wismilak Inti Makmur Tbk in 2019, reflecting weak market valuation (Tobin's Q < 1). Meanwhile, the highest value (14.0152) was observed in PT Unilever Indonesia Tbk in 2020. Dividend policy (DPR) shows a mean of 1.0602 and a standard deviation of 7.5258, with the minimum value of -2.8710 (PT Buyung Poetra Sembada Tbk, 2023) and the maximum value of 106.85 (the same firm, 2022). Board meeting frequency (BMEET) has a mean of 18.2574 and a standard deviation of 6.2996, with the minimum and maximum values ranging from 10 to 50 meetings per year. Board busyness (BBUSY) exhibits a mean of 8.7723 and a standard deviation of 11.0340, with the minimum value of 0 and the maximum of 63, suggesting that some directors occupy numerous external board positions. Furthermore, board size (BSIZE) has a mean of 10.3663 and a standard deviation of 3.1282, with board members ranging from 5 to 19 individuals. No multicollinearity was found among the studied variables.

Panel Diagnostics and Classic Assumption Test

The results of the panel diagnostics and classic assumption tests on the study models can be seen in Table 4.

Table 4. Panel Diagnostics and Classic Assumption Test

Models	Chow Test	Lagrange Multiplier Test	Hausman Test	Heteroscedasticity	Autocorrelation
Model 1	0.000	0.000	0.6596	0.000	0.6287
Model 2	0.000	0.000	-	0.000	0.6301
Model 3	0.000	0.000	0.4375	0.000	0.5983
Model 4	0.000	0.000	0.2392	0.000	0.6264
Model 5	0.000	0.000	0.6449	0.000	0.6446

Source: Data processing in STATA 14 (2025)

As displayed in Table 4, the random effect model is the most suitable for the panel data regression estimation method for TOBINSQ, as supported by the p-value of the Hausman test results, which is greater than 0.05. In addition, the results of the heteroscedasticity tests (Breusch-Pagan / Cook-Weisberg Test) indicate the presence of heteroscedasticity. Therefore, panel data regression estimation for TOBINSQ employed the Generalized Least Squares (GLS) method to overcome heteroscedasticity and autocorrelation problems (Wooldridge test).

In this study, the relationships between variables were assessed by performing regression analyses. The results of all regression analyses of the direct and moderated effects of dividend policy on firm value are presented in Table 5.

Table 5. Summary of the Regression Analyses (Direct and Moderated Effects)

Variables	(1)	(2)	(3)	(4)	(5)
DPR	0.0077648	-3.113455***	-0.231528	0.2175977**	-0.401769*
	(0.595)	(0.000)	(0.353)	(0.046)	(0.065)
BIND*DPR	-	9.342472***	-	-	-
		(0.000)			
BMEET*DPR	-	-	0.014052	-	-
			(0.336)		
BBUSY*DPR	-	-	-	-0.016276*	-
				(0.052)	
BSIZE*DPR	-	-	-	-	0.058141*
					(0.059)
BIND	4.829023***	-0.302695	4.885502***	5.00211***	4.657348***
	(0.000)	(0.803)	(0.000)	(0.000)	(0.000)
BMEET	-0.024996	-0.039143**	-0.039545*	-0.027045	-0.02920*
	(0.158)	(0.015)	(0.089)	(0.124)	(0.099)
BBUSY	-0.007015	-0.006587	-0.007373	0.006283	-0.007763
	(0.541)	(0.524)	(0.520)	(0.636)	(0.496)
BSIZE	0.132899***	0.075320*	0.131897***	0.1259388***	0.0947981*
	(0.003)	(0.069)	(0.003)	(0.005)	(0.054)
COVID	0.042627	-0.051791	0.041231	0.054669	0.0574736
	(0.853)	(0.802)	(0.857)	(0.810)	(0.801)
SIZE	-0.281444***	-0.24993***	-0.27157**	-0.288406***	-0.255502**
	(0.007)	(0.008)	(0.010)	(0.006)	(0.015)
AGE	0.038504***	0.026474***	0.038382***	0.037431***	0.036496***
	(0.000)	(0.005)	(0.000)	(0.000)	(0.000)
DAR	0.757870	0.715581	0.696770	0.7456111	0.6909596
	(0.214)	(0.192)	(0.225)	(0.217)	(0.254)
_cons	6.76523**	7.95423***	6.044512**	6.189966**	5.804864**
	(0.032)	(0.002)	(0.033)	(0.028)	(0.040)

Source: Data processing STATA 14 (2025)
***p < 0.01; **p < 0.05; *p < 0.1

Discussions

Dividend Policy and Firm Value

The first hypothesis proposed in this study predicts that dividend policy increases company value. As presented in Table 5, the results of the regression analysis reveal that the coefficient is positive but insignificant in Model 1 (β = 0.0077648; p > 0.1), thereby rejecting H1. Generally, information efficiency is weaker in emerging markets than in developed markets. Investors typically concentrate on more tangible fundamentals, such as cash flow, profitability ratios, and income statements, rather than relying solely on managerial signals (Deng et al., 2024). This contradicts the main assumption in the signaling theory that investors will respond to signals from the management because they do not have complete information about the company's internal conditions (Suprayoga et al., 2022). In practice, however, investors in Indonesia may have a more critical interpretation of these signals due to a lack of trust in management credibility; some investors even tend to focus on short-term capital gains rather than dividend stability, resulting in no reaction to disclosures in dividend policy (Al Daas et al., 2020; Winoto et al., 2024).

The data obtained in this study indicate that several companies in the sample illustrate this condition. For instance, PT Buyung Poetra Sembada Tbk (IDX: HOKI) recorded a net loss in 2023, which caused its dividend payout ratio (DPR) to become negative at -2.87, as reflected in the minimum value of DPR shown in Table 4. Similarly, PT Kino Indonesia Tbk (IDX: KINO) reported a loss in 2022, resulting in a DPR of -0.015. PT Multipolar Tbk (IDX: MLPL) also experienced net losses in 2019 and 2020, with DPR values of -0.019 and -0.11, respectively.

Njoku and Lee (2024) reported in their study that dividend policy—as described by the dividend payout ratio—does not affect company value, as measured by Tobin's Q. This can be attributed to the fact that dividends are not always a measure of a company's performance in the Korean capital market because they are considered a benchmark for minimizing potential conflicts. According to Sinaga et al. (2022), paying dividends would result in

lost opportunities for company expansion. Furthermore, dividends would incur unnecessary costs. Deng et al. (2024) showed that dividend stickiness implies that cutting dividends is costly for companies, which ensures the presence of a separating equilibrium where managers increase dividends only if future earnings growth can sustain dividend increases. Investor protection can be a factor that affects the cost of cutting dividends for companies.

In countries featured by weak (high) investor protection, the signal value of dividends regarding increases in future earnings is low (high). This is supported by the findings of a study by Winoto & Rudiawarni (2024) that dividend policy has no impact on firm value because dividends are not the primary signal used by investors to interpret a company's performance and prospects. In addition, firm value is assumed to be based on the ability of the company to generate future profits, not on how those profits are announced to shareholders. Several studies have also revealed that dividend policy does not always increase firm value under certain conditions, and that most investors will consider the potential of the stock price itself before receiving dividends in the future (Suprayoga & Setiyono, 2022).

The rejection of this hypothesis further reinforces the existence of a research gap, as the empirical evidence across studies remains inconsistent. These mixed findings suggest that the relationship between dividend policy and firm value may not be direct but contingent upon specific governance or market conditions. Therefore, to address this inconsistency and provide deeper insights into this topic, this study introduces corporate governance mechanisms, namely board independence, board meetings, board busyness, and board size, as moderating variables. These governance indicators are expected to clarify how corporate control and oversight can strengthen or weaken the effects of dividend policy on firm value within the context of the Indonesian manufacturing sector.

The Moderating Role of Board Independence, Board Meeting Frequency, Board Busyness, and Board Size

The second hypothesis proposed in this study suggests that dividend policy increases firm value when the board of commissioners has a large number of members. The results of the regression analyses on the interaction variable of BIND x DPR (Table 5) indicate that the interaction coefficient is positive and significant in Model 2 (β = 9.342472; $p < 0.01$), thus supporting H2. These results confirm the empirical findings of Biswas et al. (2025), Khanh et al. (2020), and Mishra et al. (2024) that board independence increases transparency, strengthens oversight effectiveness, and contributes positively to firm value. In this study, the average proportion of independent board members in the sample is 42.37%, indicating that many companies have implemented relatively strong board independence in accordance with the Indonesian Code of Good Corporate Governance. The maximum value reaches 83.33%, which is close to 1, signifying that some companies in the sample have a very high level of board independence, thereby reflecting strong compliance with good governance principles (Biswas et al., 2025). This shows that a large number of independent board members facilitates corporate oversight and reflects the interests of various stakeholders, compared to a small number of independent board members, where oversight responsibilities are delegated to a few individuals (Ebbini et al., 2024). This will improve investors' confidence that the dividends paid are not merely a short-term manipulative strategy to attract investors, but rather a true reflection of the company's financial performance and long-term prospects.

The third hypothesis of this study proposes that dividend policy reduces firm value when board meetings are often held within the company. The results of the regression analyses on the interaction variable of BMEET x DPR (Table 5) demonstrate that the interaction coefficient is negative but insignificant in Model 3 (β = 0.014052; $p > 0.1$), thus rejecting H3. This finding is consistent with the studies by Bhat et al. (2018), Gambo et al. (2018), and Gulzar et al. (2020), which also emphasized that excessive board meeting frequency does not always translate into increased decision-making effectiveness. The average number of board meetings held by the sample companies is 18 times per year, with a maximum of 50 meetings and a minimum of 10 meetings. This indicates that most companies hold board meetings regularly, although not all of these meetings are effective. According to the Indonesian Code of Good Corporate Governance (GCG), the board of directors is required to hold meetings at least once a month, while joint meetings between the board of directors and the board of commissioners must be held at least once every four months. Therefore, companies are expected to hold a minimum of around 15 meetings per year. However, these meetings do not always discuss strategic issues such as dividend policy, profit allocation, or long-term funding strategies (Eluyela et al., 2018).

The fourth hypothesis of this study implies that dividend policy reduces firm value when board members occupy vital positions in other companies, signifying their busyness. The results of the regression analyses on the interaction variable of BBUSY x DPR (Table 5) indicate that the interaction coefficient is negative and significant in Model 4 (β = -0.016276; $p < 0.1$), thereby supporting H4. This finding supports previous studies by Withisuphakorn & Jiraporn (2018), Huang (2024), and Singh et al. (2018), which also concluded that high board busyness tends to

decrease board effectiveness and investor confidence, thereby weakening the positive impacts of dividend policy on firm value. This study found a total of 63 external positions being held by the board members, with an average of 8 additional director positions per company. According to the signaling theory, this practice can damage the credibility of dividend policy signals (Doğan Başar, 2021). The busyness of the board members can create a negative perception that directors who are too busy may not have sufficient time to observe the specific conditions of the company, making them less effective in evaluating management proposals, including those relating to dividend distribution. Board busyness indicates a lack of time and energy to deeply understand the interests and needs of stakeholders, implying that dividend decisions may not reflect a balance between the interests of shareholders and other stakeholders (Withisuphakorn & Jiraporn, 2018).

The fifth hypothesis proposed in this study suggests that dividend policy increases firm value when the board of directors has a large number of members. The results of the regression analyses on the interaction variable of BSIZE x DPR (Table 5) show that the interaction coefficient is positive and significant in Model 5 ($\beta = 0.058141$; $p < 0.1$), thus supporting H5. These results are in line with the findings of previous studies by Biswas et al. (2025), Ebbini et al. (2024), and Mishra et al. (2024), which found that larger boards of directors and commissioners can strengthen oversight functions and improve collective deliberation, resulting in more accurate and well-distributed strategic decision-making. When dividend policy is formulated by a board with an adequate number of members, the decision is more likely to reflect a comprehensive evaluation of financial conditions, working capital requirements, expansion plans, and investor expectations (Singh et al., 2018). Based on the results of the descriptive statistics (see Table 3), it can be observed that INDF in the period of 2022–2023 showed one of the largest board sizes in the sample, with a total of 19 members (directors and commissioners combined). Overall, the average board composition consisted of six directors and two commissioners per company, reflecting a balanced but diverse governance structure. This variation indicates that larger boards of directors and commissioners are not uncommon in the Indonesian manufacturing sector, especially in companies with complex operations that require broader managerial and strategic oversight.

CONCLUSION

This study examines how dividend policy influences firm value in the Indonesian manufacturing sector by considering the moderating role of Good Corporate Governance (GCG) mechanisms. The results indicate that dividend policy does not directly impact firm value. Both board independence and board size have been shown to enhance the positive effects of dividend policy on firm value. This finding confirms the stakeholder theory that the board of commissioners strengthens the oversight function, improves management accountability, and aligns the interests of managers and shareholders.

Conversely, board busyness reduces the positive signaling effects of dividend policy. This is because a busier board tends to shake investor confidence in corporate governance. Board meeting frequency, on the other hand, has no significant effect on the relationship between dividend policy and firm value, indicating that frequent board meetings do not always result in more effective strategic decisions. Thus, enhancing the role of the independent board of commissioners and establishing an ideal board structure can improve the credibility of dividend policy as a market signal. From a regulatory perspective, it is important to avoid overlapping positions to maintain good governance. Overall, dividend policy is an effective signal of company value only if it is supported by a strong and credible governance structure.

Notwithstanding the valuable insights of this study, a limitation exists due to the presence of companies that continue to pay their dividends despite losses, resulting in negative Dividend Payout Ratios that may influence the empirical results. Future studies are recommended to expand the analyses to the other sectors, compare across countries, and incorporate qualitative approaches to understand board behavior and investor perceptions.

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