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Financial Performance's Impact on Firm Value: How Managerial Ownership Mediates the Relationship

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Abstract

Banks play a significant role in facilitating the generation of economic growth opportunities, which can impact the achievement of government-set economic growth objectives. Hence, it is imperative to foster a climate that promotes banks' competitive growth and resilience, enabling them to effectively confront many problems in the face of escalating global complexities. To maintain a competitive edge, the bank must exhibit strong performance that positively influences corporate value. For that, the objective of this study is to ascertain the key determinants that exert a substantial impact on the valuation of firms, specifically examining the potential influence of capital structure, profitability, profits per share, and dividend payout ratio on the value of financial institutions. Another aim of the study is to ascertain the potential moderating effect of managerial ownership on the independent variable of company value. The sample selection included purposive random sampling, with the criterion of including only those with complete data from the research period spanning 2011 to 2022, using Moderation Regression and data panel Analysis. This study shows that earnings per share and dividend payout ratio significantly impact banks' valuation. In the interim, the Moderation Regression Analysis has yielded findings indicating that management ownership is a moderating factor in the relationship between earnings per share and banking value.

Keywords: *Banking Resilience, Banking Value, Management Ownership, Dividend Policy.*

Introduction

The banking sector assumes a pivotal role in stimulating the real sector by facilitating the allocation of credit for production, consumption, and investment. The involvement of banks in various activities contributes to the facilitation of distribution, consumption, and other associated issues about the utilization of currency, hence fostering the advancement of the domestic economy. Hence, it is imperative to foster banks' continued growth and competitive strength, enabling them to effectively confront the escalating, diverse, and ever-evolving issues that will arise in the aftermath of the COVID-19 epidemic, which has significantly altered the worldwide landscape.

The evaluation of a company's success, as it relates to its stock price, involves the consideration of firm value by investors. A positive correlation exists between the perceived stock price and the firm's value, whereby an increase in the former leads to an increase in the latter. The notion of firm value pertains to the financial assessment of a company's worth during a specific timeframe (Jihadi et al., 2021). In broad terms, the assessment of a company's worth within society is commonly gauged by its stock return, which pertains to the level of financial gain that investors derive from their capital allocation.

The returns of banking stocks exhibited volatility, characterized by an average growth rate of 13.07%. Notably, the highest recorded stock return was observed in 2017, reaching 31.20%. Conversely, the lowest return was documented in 2020, specifically with the onset of the COVID-19 pandemic, with a value of 14.25%. Nevertheless, it is noteworthy that the banking sector is undergoing a swift resurgence due to the prevailing worldwide economic deceleration. This resurgence is characterized by a notable upsurge in stock returns, which reached 17.14% in 2021 and are projected to further escalate to 19.02% in 2022.

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In addition to analyzing stock returns, prospective investors commonly evaluate a company's worth through market capitalization. Market capitalization is a commonly used business concept denoting the aggregate value of a firm's outstanding shares. It represents the monetary amount an interested investor would need to expend to acquire the entirety of the company. In 2022, there was a notable increase in capital market capitalization, which experienced a growth rate of 15.02% compared to the preceding year. Additionally, the average daily transaction value reached 14.7 trillion, reflecting a growth rate of 10% in comparison.

The primary objective of this study is to ascertain the many elements that influence the firm's value of banking firms in Indonesia. Additionally, the study investigates whether governance has a moderating role concerning these aspects. This research is to conduct a comprehensive empirical investigation on the key determinants influencing the value of banking companies in Indonesia, focusing on their potential impact on actual economic growth. The anticipated outcomes of this research endeavor are poised to make a valuable scholarly contribution to the field of financial management, with a particular emphasis on the domain of corporate value. Furthermore, this research's findings will serve as valuable data for financial institutions in their endeavors to enhance their perceived worth among investors and regulatory authorities

Literature Review

The Concept of Firm Value

Numerous scholarly investigations have been undertaken to examine the concept of firm value in the context of Indonesia, as evidenced by the works of Sualehkhattak et al. (2017), Rahayu, Suhadak, and Saifi (2019), Hirdinis (2019), Alghifar et al. (2022), Jihadi, Vilantika et al. (2021), Doorasamy (2021), Putro and Risman (2021), Almomani et al. (2022), Belinda and Dewi (2023), Oktrima and Sutrisno (2023). In addition, Budagaga (2020) conducted research in the Middle East and North Africa (MENA) region, while Almahadin and Oroud (2019) conducted a study in Jordan. Similarly, Dang, Vu, Ngo, and Hoang (2019) conducted research in Vietnam, Doorasamy (2021) in East Africa, and Seth and Mahenthiran (2022) in India. Additional study is required to obtain consistent results considering the existing body of knowledge.

The notion of company theory, derived from neo-classical economics, posits that companies are driven by the objective of profit maximization (Nasrudin, 2022). The firm's idea posits that a corporation's primary objective is to optimize its wealth and value (Hirdinis, 2019; Mardini et al., 2022).

The idea of firm value pertains to the financial assessment of a company's worth during a specific timeframe. Theoretically, the term "amount" refers to the monetary value that is required for the acquisition or purchase of a corporate entity (Jihadi et al., 2021). According to Damodaran (2016), on page 612, company value is characterized as the aggregate of the market values of debt and equity. Investors consider a company to value a significant determinant in evaluating its performance, which is closely associated with its share price. It is observed that a greater stock price corresponds to a higher company value (Rahayu et al., 2020).

Tobin's Q is a performance metric to evaluate firms and assess management effectiveness in effectively managing corporate assets. The Tobin ratio is often regarded as a comprehensive measure for assessing a company's valuation, as it encompasses debt and capital components in its calculation. According to Hendrawan (2017), The alteration of the initial formula resulted in a statistically significant enhancement in confidence levels, reaching a value of 96%.

If Tobin's Q ratio is 1, the market has successfully assessed the company fairly. However, if> 1, the company is expensive (overvalued), whereas if <1, it is undervalued. If the debt ratio is high, it can provide benefits from tax utilization. As long as the tax utilization exceeds the potential cost of losses, this can benefit shareholders. Also, it means that the capital structure positively affects firm value (Ardini et al., 2022; Mangesti Rahayu et al., 2020; Alghifari et al., 2022; Jihadi et al., 2021). The high value of the dividend reflects the company's ability to maximize shareholder wealth, which can increase the company's value. Therefore, dividend distribution is expected to positively affect firm value (Triani & Tarmidi, 2019; Seth & Mahenthiran, 2022; Rajverma et al., 2019).

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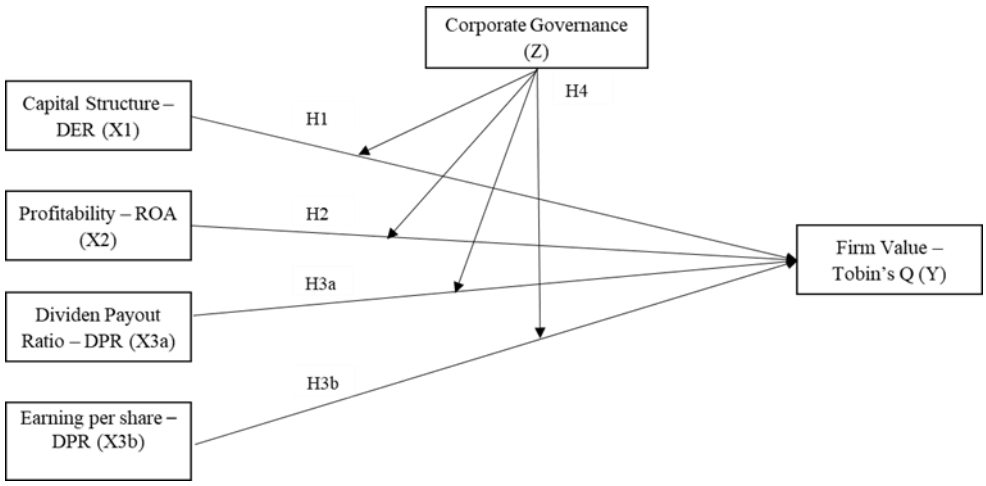
Research Model and Hypothesis

Managerial ownership is the presentation of director share ownership, which can reconcile the manager's interests with a firm. The objective of shareholders is to maximize the value of their investment (the value of the company). In contrast, the interests of management are frequently divergent, with a singular focus on their own interests and incentive increases. With managerial ownership, managers will have the same interests as other shareholders, so they will focus on increasing company value through financial policies, such as capital structure policies and financial policies, to control risks (Otero González et al., 2020) and generate profits. In addition, policies for submitting dividend payments will aim to increase the company's value. However, there is a lack of studies specifically hypothesizing that managerial ownership will moderate the effects of capital structure, profitability, and dividend payout on firm value. Therefore, this study's research framework is as follows:

Figure 1. Research Model "Moderation Model"



Source: Author's Own Elaboration

Based on the research model and according to previous studies that we approach through the literature review, we propose the hypothesis as follows:

Research on the influence of Capital structure on firm values has been carried out by several previous researchers (Uzliawati et al., 2018; Putri & Rahyuda, 2020; Sudrajat & Setiyawati, 2021).

Hypothesis 1: Capital structure influences firm value positively.

The capital structure (STDA, LTDA, DER) has an impact on profitability (NPM, ROA, ROE), and profitability (NPM, ROA, ROE) has an impact on partially the capital structure (Saifi, 2019). Both DER and DPR notably impact PBV, but investment decisions do not demonstrate a major influence on PBV. The sources include Triani, Deden Tar-midi (2019), and Almahadin & Oroud (2019). According to Almahadin & Oroud (2019), the impact of capital structure on company value is contingent upon its interaction with profitability. As well as other research conducted by several researchers regarding the influence of Profitability influences firm value (Sondakh, 2019; Ispriyahadi & Abdullah, 2021; Michael, 2019; Simorangkir, 2019; Bahraini et al., 2021; Pangestuti & Tindangen, 2020).

Hypothesis 2: Profitability influences firm value positively.

According to Seth and Mahenthiran (2022), corporate social responsibility (CSR) does not impact a company's values. On the other hand, the dividend payout ratio (DPR) influences the firm's values. Additionally, Budagaga (2020) suggests that dividends do not affect the market value of a company. According to a study conducted by Adiputra and Hermawan (2020), the variables of SIZE and DPR

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demonstrate a notable impact on Tobin's Q. However, the variables of CSRI and CR do not exhibit a statistically significant influence on Tobin's Q. Other research conducted by several researchers also shows the influence of dividend policy on firm value (Gede et al., 2020).

Hypothesis 3: The dividend payout ratio influences the firm's value positively.

Hypothesis 4: The earnings per share influence the firm's value positively.

In their recent study, Sumani & Suryaningsih (2022) discovered that the Debt-to-Equity Ratio (DER) and inflation exhibit a noteworthy adverse impact on Tobin's Q, whereas Return on Assets (ROA) demonstrates a positive influence. Furthermore, their findings indicate that the Debt-to-Asset Ratio (DPR) does not exert any discernible effect on Tobin's Q. The influence of managerial ownership (KM) on Tobin's is partially moderated by the variables of debt-equity ratio (DER) and inflation. Additionally, KM has a positive moderating effect on the influence of the dividend payout ratio (DPR) on Tobin's. Based on the findings of Ardini, Wahidahwati, and Adhity (2022), it can be concluded that both MBVA and DER positively influence PBV. However, it is important to note that ROA only partially affects PBV.

Hypothesis 5: Managerial ownership can moderate the positive impact of capital structure, profitability, and dividend payout on firm value to some extent.

Additionally, the study reveals that management ownership does not act as a moderating factor in the relationship between MBVA, DER, ROA, and PBV. According to Doorasamy (2021), it has been observed that the presence of a debt-equity ratio (DER) has a detrimental impact on Tobin's Q. Moreover, it has been found that the influence of DER on Tobin's Q is contingent upon the level of management ownership. The relationship between debt-to-equity ratio (DER) and return on equity (ROE) has an impact on price-to-book value (PBV). Additionally, both DER and ROE have an influence on PBV. However, ROE does not act as a mediator in the relationship between DER and PBV. It has been found that neither hedging policy nor firm size plays a moderating role in the effect of ROE on PBV, as indicated by Alghifar et al. (2022).

Furthermore, both DER and return on assets (ROA) influence PBV. Moreover, corporate social responsibility (CSR) significantly moderates the relationship between DER and PBV, with firm size being controlled for, as highlighted by Jihadi et al. (2021). As well as other research conducted by several researchers regarding Managerial ownership influences firm value (Chabachib et al., 2019; Short & Keasey, 1999; Vijayakumaran, 2021; Dwivedi & Jain, 2005; Bin Hidthiir, 2019; Raval & Vasant, 2020).

Methodology

Sample and Data Collection

This study employs a quantitative research design, specifically focusing on causal relationships. Causality refers to the relationship between one or more factors that influence other variables. The sample for this study comprises 47 banking businesses listed on the Indonesia Stock Exchange throughout 2011-2022. The utilization of purposive sampling, a technique that involves the deliberate selection of samples based on certain considerations or criteria, yielded 31 samples. One essential requirement is that the data must be complete throughout the study. The research utilizes secondary data from pre-existing sources and does not require additional processing. These sources include published financial reports, stock indexes, statistics, articles, and books, serving as the theoretical foundation for the study. The present study employs a quantitative data analysis technique utilizing descriptive statistical computations and verification analysis. A descriptive statistical analysis was conducted to understand the data utilized in the research comprehensively. The data was organized to facilitate the comprehension of its properties (Sekaran & Bougie, 2013).

Variables

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The descriptive statistical analysis in this study examined the maximum, minimum, mean, and standard deviation values. The financial ratios included in this study encompassed the debt-to-equity ratio (DER), return on assets (ROA), and dividend payout ratio (DPR). Corporate governance and Tobin's Q were also utilized as indicators of the firm's value ratio.

Table 1. Operation Variables

Variable	Equation	Scale
Capital Structure – DER	$\text{Debt to Equity Ratio} = \frac{Total\ Debt}{\text{Equity}}$	Ratio
Profitability – ROA	$Return\ on\ Asset = \frac{\text{Net Income}}{\text{Total Asset}}$	Ratio
Dividend Payout Ratio – DPR	$\text{Dividen Payout Ratio} = \frac{\text{Dividend per Share}}{\text{Earning per Share}}$	Ratio
Earnings per Share – (EPS)	$\text{Earnings per Share} = \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Weighted Average Common Shares Outstanding.}}$	Ratio
Corporate Governance	$\text{Corporate Governance} = \frac{\text{Shares owned by management}}{\text{total shares}}$	Ratio
Firm Value - Tobin's Q	$\text{Tobin's Q} = \frac{Equity\ Market\ Value + Liabilities\ Market\ Value}{Equity\ Book\ Value + Liabilities\ Market\ Value}$	Ratio

Modelling and Processing

The study employed multiple linear regression models and moderated regression analysis (MRA) for verification analysis, which were subjected to testing for classical assumptions. The classical assumption test is employed to evaluate the presence of bias in the outcomes of the conducted regression analysis. The accuracy of the regression analysis results can be assumed by employing the traditional assumption test. The conventional assumption test encompasses various tests, including normality, heteroscedasticity, autocorrelation, and multicollinearity tests. The equation employed for multiple linear regression is as follows:

$$NPit = \alpha + \beta 1DERit + \beta 2ROAit + \beta 3DPRit + + \beta 3EPSit + eit \quad \text{.....(1)}$$

Where:

NP = Firm Value

DER = Debt to Equity Ratio

ROA = Return on Asset

DPR = Dividend Payout Ratio

EPS = Earnings per Share

α = Constant

β1,.....,4 = Coefficient Regression

t = time series

i = cross-section

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e = error

A study was conducted to examine the impact of variable X on variable Y by multiple linear regression analysis, considering the influence of moderating variables. The study involved several stages, including validating the classical assumptions, developing multiple linear regression equations, testing hypotheses, and assessing the coefficient of determination (R-square). The classical assumption test was conducted to assess the extent to which the regression analysis results may be deemed reliable. The conventional assumption test comprises normalcy, heteroscedasticity, auto-correlation, and multicollinearity (Ghozali, 2013).

After the completion of multiple linear regression, a Moderated Regression Analysis (MRA) was conducted. Multiple Regression Analysis (MRA) is employed as a statistical technique to assess the potential of a moderating variable to either enhance or diminish the impact of the independent variable on the dependent variable. The presence of managerial ownership is expected to moderate the associations between capital structure (as measured by debt-to-equity ratio), company value, profitability (as measured by return on assets), and dividend payment rate. The equation for the moderation regression model is as follows:

$$NPit = \alpha + \beta 1DERit + \beta 2ROAit + \beta 3DPRit + +\beta 4EPS * MOit + \beta 5DER * MOt + \beta 6ROA * MOit + \beta 7DPR * MOit + \beta 8EPS * MOit + eit \quad \text{.....(2)}$$

Where:

DER*MO = The relationship between debt-to-equity ratio (DER) and business value is moderated by corporate governance.

ROA*MO = The relationship between return on assets (ROA) and business value is moderated by corporate governance.

DPR*MO = The relationship between dividend payout ratio (DPR) and firm value is moderated by corporate governance.

EPS*MO = The relationship between earnings per share (EPS) and business value is moderated by corporate governance.

Data Analysis and Results

Measurement Model

The variable DER exhibits a minimum value of 3.1646 and a maximum value of 16.0786. The DER's mean value is 6.2590, with a corresponding standard deviation of 2.7299. This implies that the mean value exceeds the standard deviation, suggesting favorable outcomes in the results. The reason for this is that the standard deviation indicates significant variability, indicating that the data distribution exhibits normal outcomes and avoids introducing bias. The Return on Assets (ROA) exhibits a minimum value of 0.0123 and a maximum value of 5.0300. The mean ROA is calculated to be 2.0657, with a corresponding standard deviation of 1.1998. This implies that the mean value of ROA is above its standard deviation, suggesting favorable outcomes. This is because the standard deviation indicates significant variability, indicating that the data distribution exhibits normal outcomes and avoids introducing any form of bias.

The Dynamic Performance Ratio (DPR) has a minimum value of 0.0123 and a maximum value of 0.1000. The mean DPR is calculated as 0.3651, with a corresponding standard deviation of 0.1766. This statistical analysis reveals that the mean DPR surpasses the standard deviations, suggesting favorable outcomes. This is because the standard deviation indicates significant variability, indicating that the data distribution exhibits normal outcomes and does not introduce any form of bias. The variable MO exhibits a minimum value of 0.0000 and a maximum value of 0.0052. The mean value of MO is calculated to be 0.0008, with a corresponding standard deviation of 0.0009. This implies that the mean value is smaller than the standard deviation, suggesting that the obtained findings may not be considered satisfactory.

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Table 2. Summary Statistics

Variable	DER	ROA	DPR	MO	EPS	TOBINSQ
Mean	6.2590	2.0657	0.3651	0.0008	404.1018	0.9976
Median	5.5959	2.0250	0.3201	0.0003	283.6550	0.9650
Maximum	16.0786	5.0300	0.8586	0.0052	1159.0000	1.6128
Minimum	3.1646	0.0123	0.1000	0.0000	20.0000	0.8822
St Dev	2.7299	1.1998	0.1766	0.0009	327.4548	0.1205

Source: Summary Statistics, which the author has processed.

The reason for this phenomenon is that the standard deviation indicates significant variability, indicating that the data distribution exhibits normal outcomes and does not introduce any form of bias. Additionally, it is worth noting that the earnings per share (EPS) have a minimum value of 20.0000, a maximum value of 1159.0000, a mean value of 404.1018, and a standard deviation of 327.4548. This implies that the mean value is above the standard deviation, suggesting favorable results. The reason for this is that the standard deviation indicates significant variability, indicating that the data distribution exhibits normal outcomes without introducing any form of bias.

Regression Model

According to the findings presented in Table 3, the application of the Chow test to the model test yields a probability value of less than 0.05. This outcome indicates that the Fixed Effect Model (FEM) is the most suitable approach for estimating panel data. The results of the Hausman test indicate that the probability value is less than 0.05, suggesting that the Fixed Effect Model (FEM) is the most appropriate model to utilize in this context. Given that the Fixed Effect Model (FEM) has already been employed to demonstrate the two outcomes, there is no longer a need for the Lagrange Multiplier Test (LM).

Table 3. Panel Data Model Selection Test Results

Test	Result	Conclusion
Chow test	Prob > 0.05	**CEM**
	Prob < 0.05	**FEM**
Hausman test	Prob > 0.05	**REM**
	Prob < 0.05	**CEM**
Lagrange Multiplier Test (LM)	Prob > 0.05	**CEM**
	Prob < 0.05	**REM**

This table shows Panel data model selection test results for the Chow Test, Hausman Test, and

Lagrange Multiplier Test (LM).

The regression findings for the panel data analysis are presented in Table 4. The classical assumption test verifies the normal distribution of the data and ensures the absence of heteroscedasticity, autocorrelation, and multicollinearity issues. The regression equation model for panel data is presented below:

Table 4. Regression Model Test Results

Variable	Coefficient/ Prob.	
C	0.977147	*0.0000*

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DER	-0.000950	*0.9070*
ROA	-0.001816	*0.9015*
DPR	0.292234	*0.0026**
EPS	-0.000195	*0.0002**
AR (1)	0.689612	*0.0000*
SIGMASQ	0.007507	*0.0000*
R-squared	**0.475581**	
Adjusted R-squared	**0.432478**	

This table shows Regression Model Test Results, ***p < 0.05, **p < 0.01, ***p < 0.001.**

The classical assumption test verifies the normal distribution of the data and ensures the absence of heteroscedasticity, autocorrelation, and multicollinearity issues. The regression equation model for panel data is presented below:

$$\text{TOBINS'Q} = 0.977147 - 0.000950\text{DER} - 0.001816\text{ROA} + 0.292234\text{DPR} - 0.000195\text{EPS} \quad (3)$$

Based on the findings presented in Table 4, it can be concluded that the debt-equity ratio (DER) does not exhibit a statistically significant impact on firm value at the significance levels of $p < 0.05$, $p < 0.01$, and $p < 0.001$. Similarly, the impact of return on assets on the valuation of corporate assets is not large. The dividend payout ratio (DPR) and earnings per share significantly influence the firm's value.

Consider examining the coefficient of the Dividend Payout Ratio (DPR), which exhibits a positive value of 0.292234. In this scenario, it is evident that a one-unit rise in the dividend payout ratio (DPR) corresponds to a 0.292234 increase in the company's value. If the earnings per share (EPS) demonstrates a notable adverse impact on the value of a firm, then for each unit increase in EPS, the firm's value will decline by 0.000195. The regression results based on panel data indicate that the R-squared value is 0.475581, equivalent to 47.56%, while the corrected R-squared value is 0.432478, equivalent to 43.25%.

Table 5. Moderated Regression Analysis (MRA) Result

Variable	Coefficient/ Prob.	
C	0.949691	*0.0000*
DER	-0.004532	*0.6563*
ROA	-0.004152	*0.7517*
DPR	0.256693	*0.0160*
MO	53.51947	*0.5125*
EPS	-5.67E-05	*0.2008*
DER_MO	3.127136	*0.3397*
ROA_MO	1.789052	*0.7752*
EPS_MO	-0.221824	*0.0000*
DPR_MO	229.3232	*0.1986*
AR(1)	0.792555	*0.0000*
SIGMASQ	0.005506	*0.0000*
R-squared	**0.615361**	

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Adjusted R-squared	**0.553139**

This table shows Moderated Regression Analysis (MRA) Result ***p < 0.05, **p < 0.01, ***p < 0.001.**

TOBINS'Q= 0.949691 - 0.004532DER - 0.004152ROA + 0.256693DPR + 3.127136DER*MO + 1.789052ROA*MO +229.3232DPR*MO - 0.221824EPS*MO (4)

According to the findings presented in Table 5, which showcases the results of a Moderated Regression Analysis (MRA) model, it is evident that both DPR and EPS considerably impact company value. However, it is noteworthy that EPS negatively affects firm value. It is widely recognized that the relationship between earnings per share (EPS) and firm value is contingent upon corporate governance. The link between earnings per share (EPS) and firm value is moderated by the incremental rise in management ownership, resulting in a drop of 0.221824 in company value.

The variables DER, ROA, and MO do not exhibit a statistically significant impact on firm value. Furthermore, it has been observed that the presence of management ownership does not act as a moderating factor in the relationship between debt-to-equity ratio (DER) and dividend payout ratio (DPR) return on assets (ROA), and the overall value of companies within the banking industry. The moderated regression analysis (MRA) yielded an R-squared value of 0.615361, indicating that the independent variables can explain approximately 61.54% of the variance in the dependent variable. Considering the number of predictors and sample size, the adjusted R-squared value was 0.553139, representing approximately 55.31% of the variance explained.

The R-squared value obtained from the model investigating the impact of managerial ownership on the relationship between capital structure, profitability, and dividend policy on firm value is 0.615361. This value suggests that these variables can account for approximately 61.54% of the variability in firm value. The adjusted R-squared value, which incorporates the number of predictors in the model, is 0.553139. This indicates that around 55.31% of the variability in firm value can be explained by the independent variables while considering the influence of the number of predictors. The results of this study suggest that the impact of capital structure, profitability, and dividend policy on company value is influenced by the level of managerial ownership. Specifically, managerial ownership moderates the relationship, explaining approximately 55.31% of the observed effects. It is imperative to acknowledge that the remaining 44.69% of the observed effects can be ascribed to additional variables not incorporated in the model employed for this investigation.

Discussion

The banking sector serves as a mechanism through which the government can effectively manage macroeconomic policy. Consequently, the absence of development within this industry might lead to disruptions within the macroeconomic system. The utilization of this industry serves as a strategic instrument employed by the government to sustain and foster economic growth while concurrently serving as a mechanism to uphold economic and monetary stability. An indicator of industry growth is evaluating a company's success by investors as reflected in its value. From an analysis of the stock returns in the banking business over the previous five-year period, it is evident that a notable degree of volatility exists. The stock return of the banking business experienced a notable growth from 4.49% in 2016 to 31.20% in 2017.

In 2018, there was a reduction of 42.05%, resulting in a final value of 18.08%. The year 2020 witnessed the most minimal decrease. The stock return of this industry witnessed a decline of 14.25% as a direct consequence of the COVID-19 epidemic. Nevertheless, although the stock returns have seen a resurgence in 2021 and 2022, they have only reached modest levels of 17.14% and 19.02%. This observation suggests a lack of investor confidence in the valuation of banking industry entities, mirroring the situation observed in 2017. Theoretically, the implementation of a sound dividend policy has the potential to enhance investor

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confidence in a company. Previous studies have posited that firm value is influenced by factors such as dividend policy, profitability, capital structure, and corporate governance.

The findings of this study indicate that the variables of DER (Debt-to-Equity Ratio) and ROA (Return on Assets) do not exhibit a statistically significant impact on company value within the banking industry. Consequently, the study's hypotheses 1 and 2, which pertain to the influence of capital structure and profitability on firm value, are addressed accordingly. The findings of this study are inconsistent with the prior research undertaken by Sumani, Suryaningsih (2022), Ardini, Wahidahwati, and Adhity (2022), and Doorasamy (2021), which posit that the capital structure rules have an impact on business value. The elevated level of profitability observed in the firm's financial performance indicates its adeptness in effectively managing its operations. This proficiency in managing profitability is expected to positively influence the return experienced by shareholders, hence augmenting the company's overall worth. Hence, it can be inferred that the profitability of a firm exerts a favorable influence on its overall value, as supported by the studies conducted by Dang et al. (2019), Jihadi et al. (2021), and Sumani & Suryaningsih (2022). According to Ardini et al. (2022), Mangesti Rahayu et al. (2020), Alghifari et al. (2022), and Jihadi et al. (2021), their research findings indicate a favorable relationship between capital structure and firm value. Based on the analysis, it can be inferred that capital structure and profitability have no discernible impact on a firm's overall value within the banking sector.

The dividend payout ratio (DPR) and earnings per share (EPS) are the two factors that significantly impact firm value. A higher dividend payout by a corporation to its shareholders increases firm value, indicating investor perception of the company's loyalty. Similarly, the earnings per share (EPS) ratio is a corporation evaluation metric. A higher earnings per share (EPS) indicates superior firm performance.

The findings of this study suggest a noteworthy adverse impact of EPS, implying that an elevation in EPS will correspondingly lead to a decline in the company's valuation. This implies that despite the growth in the banking sector's performance, it may not be considered satisfactory from the investors' perspective. The observed phenomenon can be attributed to the distinctive attributes of the banking sector, which diverge from those of other businesses wherever macro-political issues are. These issues exert a greater influence on a company's valuation. The findings shown here are inconsistent with the research undertaken by Triani and Tarmidi (2019), Seth and Mahenthiran (2022), and Rajverma et al. (2019). These studies suggest that a higher dividend value indicates the firm's capacity to enhance shareholder wealth, potentially augmenting the company's overall worth. Hence, it is anticipated that the distribution of dividends will favorably impact the company's value. The preceding explanation provides responses to hypotheses 3a and 3b within the context of this research.

Managerial ownership refers to the practice of directors holding shares in a corporation, establishing a connection between the interests of managers and the organization. The organization's primary objective will be to enhance the company's overall value by implementing strategic financial policies, such as capital structure policies and risk management measures, to generate profitable outcomes. All of these policies will prioritize the enhancement of the company's worth. This study demonstrates that the dividend payment policy in the banking industry is influenced by managerial ownership, specifically in relation to the earnings per share (EPS) indicator. The EPS indicator is a metric for assessing corporate performance, although it has a notable and adverse impact. This finding indicates that company managers' implementation of dividend payment rules hurts firm value. To clarify, notwithstanding the observed improvement in the firm's profitability as evidenced by the EPS ratio disclosed to investors, the decisions made by the company owners are seen unfavorably by market participants. The impact of earnings per share (EPS) on business values is moderated by managerial ownership.

Managerial ownership does not moderate the relationship between capital structure, as measured by the debt-to-equity ratio and business value. The moderating effect of managerial ownership on the link between profitability, as measured by the return on assets (ROA) ratio, and company value is not observed. Furthermore, it is worth noting that management ownership does not act as a moderating factor in the relationship between the dividend payout ratio (DPR) and firm valuations. This implies that the magnitude or dimensions of the policies implemented by managerial ownership about capital structure, dividend

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distribution, and profitability would not impact the company's perceived value by investors. The preceding explanation responds to research question 4 in the present study. The results of this research are not in line with Doorasamy (2021) and Sumani et al. (2022), which prove that positive managerial ownership significantly moderates the effect of dividend payments on firm value.

Conclusion And Research Design

This study examines managerial ownership's influence on the relationship between capital structure, profitability, and dividend policy in the banking industry, specifically regarding firm value. Previous research has indicated that a corporation's capital structure, profitability, and dividend policy substantially impact its value. Investors can assess the performance of an industry and the value of their shares by examining the company's overall worth. Using panel regression and moderated regression analysis has revealed that of the examined factors, only dividend policy has a statistically significant impact on company value within the banking industry. Conversely, the capital structure and profitability policies do not demonstrate a statistically significant effect on firm value. This implies that investors within the banking industry prioritize the dividend policy over factors such as capital structure and profitability policies when making investment decisions. In the context of corporate governance, it has been observed that management ownership plays a moderating role in the association between dividend policy and company value, as evidenced by examining the ratio of earnings per share to firm value. The extent to which earnings per share affects firm value is contingent upon the level of managerial ownership. To conduct more comprehensive research, it is imperative to incorporate macro-political elements that have the potential to influence the value of banking institutions, given their distinct characteristics compared to other industries.

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