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THE EFFECT OF DIVIDEND POLICY AND DEBT POLICY ON FIRM VALUE: EMPIRICAL EVIDENCE FROM LQ45 COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (2021–2023)

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Abstract

This study aims to examine the effect of dividend policy and debt policy on firm value in LQ45 companies listed on the Indonesia Stock Exchange during the 2021–2023 period. Firm value is an important indicator reflecting investors' perceptions of a company's performance and future prospects. Dividend policy was proxied by the Dividend Payout Ratio (DPR), debt policy was proxied by the Debt to Equity Ratio (DER), while firm value was measured using the Price to Book Value (PBV). This study employed a quantitative approach using secondary data obtained from the annual financial statements of LQ45 companies listed on the Indonesia Stock Exchange. The sample was selected using purposive sampling, resulting in 28 companies with a total of 84 observations during the research period. Data analysis was conducted using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) method with SmartPLS 4.0.9.9 software. The results indicate that dividend policy has a positive and significant effect on firm value. In addition, debt policy also has a positive and significant effect on firm value. These findings support signaling theory, which explains that dividend distribution and the optimal use of debt can provide positive signals to investors regarding the company's future prospects. Furthermore, the findings support trade-off theory, which states that optimal debt utilization can increase firm value through tax benefits (tax shield). This study contributes to the development of financial management literature and provides insights for investors and company management in making financial decisions to maximize firm value.

Keywords: *Capital Structure, Debt Policy, Dividend Policy, Firm Value, Indonesia Stock Exchange, LQ45*

Introduction

Firm value is one of the main indicators in assessing a company's performance and prospects in the eyes of investors (Widyakto, Fresiliasari, Octavia, Choudury, & Yusof, 2026). High firm value reflects the level of market confidence in the company's ability to generate profits in the future. In the context of capital markets, increasing firm value is often associated with increasing share prices, which ultimately impacts shareholder welfare (Wahyudi, 2024a). Therefore, company management is required to make optimal financial decisions to maximize firm value.

One of the most important financial decisions is dividend policy. Dividend policy is a company's decision to determine the amount of profits to be distributed to shareholders and the amount of retained earnings for investment (Ni Komang Ayu Ariasih & Ayu Aryista Dewi, 2026). Improving and maintaining a company's

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financial performance is essential to attract investors and encourage investment. Investors naturally expect returns on their investments, so evaluating a company's financial performance is crucial before making an investment. In this context, dividend policy can be one indicator that investors consider in assessing a company's prospects and performance. According to signaling theory, dividend distribution can provide a positive signal to investors regarding a company's future prospects. However, in practice, the effect of dividend policy on firm value still shows mixed results. Several studies show that dividend policy has different effects on firm value. Pramesti, Safitri, Setyahuni & Oktavia (2025) found that dividend policy had a positive effect on firm value in mining sector companies listed on the Indonesia Stock Exchange for the 2019-2023 period. However, Anisa, Hermuningsih & Maulida (2022) found different results, stating that dividend policy had no effect on firm value in food and beverage companies listed on the Indonesia Stock Exchange during the 2016-2020 period. These differing research findings indicate inconsistencies in empirical findings regarding the effect of dividend policy on firm value.

Besides dividend policy, debt policy is also a significant factor influencing firm value. Debt policy relates to a company's decision to use external funding sources in the form of debt. Based on capital structure theory, the use of debt can increase firm value through tax shields (Modigliani & Miller, 1963). However, excessive use of debt can also increase the risk of bankruptcy (financial distress), potentially reducing firm value. Empirically, research results related to the effect of debt policy on firm value still show inconsistencies. Azharin & Ratnawati (2022) found that debt policy had a positive effect on firm value in property companies listed on the Indonesia Stock Exchange for the 2017-2020 period. Conversely, Yuniparmini, Widnyana and Tahu (2025) showed that debt policy had a negative and significant effect on firm value in food and beverage companies for the 2020-2023 period. Meanwhile, Febriyanti, Riduwan & Handayani (2025) found that debt policy had no effect on firm value in property companies listed on the Indonesia Stock Exchange for the 2014-2023 period. These differing findings indicate that the relationship between debt policy and firm value remains a matter of debate and requires further empirical study.

Empirical evidence suggests an inconsistent relationship between dividend policy and firm value in companies listed in the LQ45 index. At PT Unilever Indonesia Tbk., firm value, as measured by Price to Book Value (PBV), decreased from 64.89 in 2021 to 53.03 in 2023, despite an increase in the Dividend Payout Ratio (DPR) from 96.1 to 103.44 (Bursa Efek Indonesia, 2026). This indicates that an increase in dividend policy is not always accompanied by an increase in firm value. Conversely, at PT Kalbe Farma Tbk., a different trend occurred, with PBV increasing from 3.26 in 2021 to 4.24 in 2023, in line with an increase in DPR from 43.84 to 60.14 (Bursa Efek Indonesia, 2026). The differences in these phenomena indicate that the relationship between dividend policy and firm value is inconsistent, thus requiring further empirical study.

Companies included in the LQ45 index on the Indonesia Stock Exchange are characterized by high liquidity and large market capitalization, making them attractive research subjects. Furthermore, the 2021–2023 period marks a period of economic recovery following the COVID-19 pandemic, marked by dynamic company performance and changes in financial policies. This situation allows for differences in company behavior in determining dividend and debt policies, which impact firm value.

Although numerous studies have examined the effect of dividend and debt policies on firm value, previous research findings have shown inconsistencies. Furthermore, there is limited research specifically examining LQ45 companies during the current economic recovery period. Therefore, this study is crucial to provide the latest empirical evidence on the effect of dividend and debt policies on firm value.

Based on the above description, the objective of this study is to analyze the effect of dividend and debt policies on firm value in LQ45 companies listed on the Indonesia Stock Exchange for the 2021–2023 period. This research is expected to contribute to the development of literature in the financial sector and serve as a reference for investors and company management in making financial decisions.

Theoretical Basis

Signaling Theory

Signaling theory explains that companies convey information to external parties, particularly investors, through management policies (Spence, 1973). This occurs due to information asymmetry between management, which possesses internal company information, and investors, who are external parties. Therefore, companies use financial policies as a means to signal the company's future condition and prospects (Kurniawati & Adiwijaya, 2025).

In the context of dividend policy, dividend distribution can be a positive signal to investors that a company is performing well and has bright prospects. Stable or increasing dividend payments reflect a company's ability to generate profits, thereby increasing investor confidence (Wahyudi, 2024b). This increased confidence will drive demand for the company's shares and, consequently, increase its value.

Furthermore, debt policy can also serve as a signal. A company's use of debt can demonstrate management's confidence in its ability to meet future financial obligations. Optimally managed debt levels can send a positive signal to investors regarding the company's prospects (Siti Nurmala & Andri Syahputra, 2026). However, if debt levels are too high, this can actually send a negative signal by increasing the risk of bankruptcy (financial distress), which can ultimately reduce the company's value (Ekawanti, Rahayu, & Ismail Lasahido, 2025).

Thus, dividend policy and debt policy are important instruments in conveying signals to the market, which will influence investor perceptions and be reflected in the company's value.

Trade-off theory

Trade-off theory is a development of capital structure theory, explaining that companies determine the optimal level of debt usage by considering the balance between the benefits and costs of using debt. In this context, the primary benefit of using debt is the tax shield, where interest on debt can reduce taxable income, thereby increasing the company's value (Modigliani & Miller, 1963).

Based on this theory, the use of debt in a company's capital structure can positively contribute to firm value as long as the benefits, particularly tax savings, outweigh the costs (Hidayat, Rosita, & Susanto, 2024). With debt, companies can maximize their value by increasing funding efficiency. This suggests that debt policy has the potential to increase firm value if managed optimally.

However, this theory also emphasizes that debt cannot be used excessively. Excessively high debt levels can increase the risk of financial distress and bankruptcy costs, which can ultimately reduce the company's value (Putri & Reviandani, 2025). Therefore, companies need to determine the optimal point in debt use, namely when the marginal benefit from using debt equals the marginal cost incurred.

Dividend Policy

Dividend policy is a company's decision regarding the proportion of profits to be distributed to shareholders in the form of dividends and the portion of retained earnings to be used for future investment needs (Modjaningrat & Bahri, 2025). This policy is a crucial aspect of a company's financial decisions because it directly relates to investor interests and the company's growth strategy.

In this study, dividend policy is proxied using the Dividend Payout Ratio (DPR), a ratio that shows the ratio of dividends per share to earnings per share (Fasa, 2023). The DPR illustrates the extent to which a company's profits are distributed to shareholders in the form of dividends. A higher DPR value indicates that the company distributes a greater proportion of its profits to shareholders, while a lower DPR value indicates that the company prefers to retain profits for reinvestment purposes.

Debt Policy

Debt policy is a company's decision regarding the use of external funding sources in the form of debt (Novianti & Bawono, 2026). This policy reflects how a company determines its funding structure, particularly in balancing the use of equity and debt. According to Brigham & Ehrhardt (2016), debt policy relates to a company's decision to determine the optimal composition of its capital structure to maximize firm value.

From a capital structure theory perspective, the use of debt can provide benefits in the form of tax shields, as interest expenses on debt can reduce taxable income. However, excessive use of debt can also increase financial risks, such as financial distress and potential bankruptcy, which can ultimately negatively impact firm value (Modigliani & Miller, 1963). Therefore, companies need to carefully consider the level of debt use to maintain optimal conditions.

In this study, debt policy is proxied using the Debt to Equity Ratio (DER), a ratio that shows the comparison between a company's total debt and total equity (Machieu & Hippy, 2025). DER illustrates the extent to which a company uses debt to finance its operational activities compared to its equity. A high DER value indicates that the company uses more debt as a funding source, while a low DER value indicates that the company relies more on equity.

Firm Value

Firm value is investors' perception of a company's success, as reflected in its stock price on the stock market. A high firm value indicates market confidence in the company's performance and future prospects (Wahyudi, Yuni Astuti, & Khafid, 2025). Therefore, increasing firm value is one of management's primary goals, as it is directly related to improving shareholder welfare.

From a capital market perspective, firm value is often linked to share price, where the higher the share price, the higher the firm's value. This is because share prices reflect investors' expectations of the company's ability to generate profits in the future (Elisa Dwi Handini & Dwi Ermayanti Susilo, 2025). Thus, a firm's value is influenced not only by its current financial performance but also by investors' perceptions of the company's prospects.

In this study, firm value is proxied using Price to Book Value (PBV), a ratio that compares the stock market price to the book value per share (Sangadji, Hermuningsih, & Rinofah, 2025). PBV illustrates how much the market values a company's book value. A high PBV indicates that the market places a higher value on the company compared to its book value, reflecting good growth prospects and performance. Conversely, a low PBV indicates that the company is considered less attractive by investors or has poor prospects.

Hypothesis

Signaling theory explains that a company's dividend policy can serve as a signal to investors regarding the company's future condition and prospects. High dividend payments reflect a company's ability to generate profits and demonstrate good financial performance, thus sending a positive signal to investors. This positive signal will increase investor confidence, ultimately driving increased demand for shares and impacting firm value. Empirically, the positive relationship between dividend policy and firm value is supported by research conducted by Pramesti et al. (2025) which found that dividend policy had a positive and significant effect on firm value in mining sector companies listed on the Indonesia Stock Exchange for the 2019-2023 period. These results indicate that increasing dividend payments can increase firm value by increasing positive investor perceptions. Based on the theoretical foundation and the results of previous research, the hypothesis proposed in this study is:

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

From a trade-off theory perspective, the use of debt in a company's capital structure can provide benefits in the form of tax savings (tax shields), thus potentially increasing firm value (Modigliani & Miller, 1963). As long as the debt level remains within the optimal limit, the benefits obtained from using debt outweigh the

costs incurred, so debt policy can positively contribute to increasing firm value. Furthermore, based on signaling theory, debt policy can also be viewed as a signal given by management to investors. The use of debt by a company can reflect management's confidence in the company's future prospects and the company's ability to meet its financial obligations. This positive signal can increase investor confidence, which ultimately has an impact on increasing firm value. Empirically, the positive relationship between debt policy and firm value is supported by research conducted by Azharin & Ratnawati (2022), which found that debt policy positively affected firm value in property companies listed on the Indonesia Stock Exchange for the 2017–2020 period. These results indicate that increasing debt use, within certain limits, can increase firm value. Based on the theoretical basis and the results of previous research, the hypothesis proposed in this study is:

H2: Debt policy has a positive effect on firm value.

Methodology

This study uses a quantitative approach utilizing secondary data obtained from the financial statements of LQ45 companies listed on the Indonesia Stock Exchange during the 2021-2023 period. The sampling technique used purposive sampling, which involves selecting samples based on specific criteria established by the researcher. These criteria include companies that have been consecutively included in the LQ45 index during the study period, presented complete financial statements, and had the data necessary to measure all research variables. Based on these criteria, 28 companies qualified as research samples. With a three-year observation period, the total observation data used in this study amounted to 84 observations, derived from accumulated data from 28 companies during the 2021-2023 study period. The research variables include dividend policy, proxied by the Dividend Payout Ratio (DPR), debt policy, proxied by the Debt to Equity Ratio (DER), and firm value, proxied by Price to Book Value (PBV). This study used the Structural Equation Modeling-Partial Least Squares (SEM-PLS) analysis method with the help of the SmartPLS application version 4.0.9.9. Data analysis was carried out through several stages, including multicollinearity testing, determination coefficient testing (R-square/R^2), predictive relevance testing (Q-square/Q^2), and path coefficient testing.

Results and Discussion

Descriptive Statistics

Descriptive statistics are applied in this study to describe the general data profile, specifically related to the dividend policy variable proxied by the Dividend Payout Ratio (DPR), debt policy proxied by the Debt to Equity Ratio (DER), and firm value proxied by Price to Book Value (PBV). The descriptive statistical values obtained from the data processing results using SmartPLS are shown in the following table. Descriptive statistical analysis in this study is used to provide a general overview of the data characteristics of each research variable, namely dividend policy proxied by the Dividend Payout Ratio (DPR), debt policy proxied by the Debt to Equity Ratio (DER), and firm value proxied by Price to Book Value (PBV). The results of descriptive statistical data processing using the SmartPLS application are then presented in the following table.

Table 1. Descriptive Statistics

Name	Mean	Median	Scale min	Scale max	Standard deviation
DPR	50.349	42.66	0	288.46	49.994
DER	2.316	0.91	0.13	15.31	2.893
PBV	3.901	1.65	0.43	64.89	9.813

Source: SmartPLS 4 output, processed data (2026)

Based on the descriptive statistics in the table, the dividend policy variable, proxied by the Dividend Payout Ratio (DPR), has an average value of 50.349 with a median of 42.66. A minimum DPR value of 0 indicates that a company did not distribute dividends during a given period, while the maximum value reached 288.46. The DPR standard deviation of 49.994 indicates a relatively high level of data dispersion. This indicates that dividend distribution policies in the sample companies tended to vary throughout the study period.

The debt policy variable, proxied by the Debt to Equity Ratio (DER), has an average value of 2.316 with a median value of 0.91. The minimum DER value was recorded at 0.13 and the maximum value at 15.31, while the standard deviation was 2.893. The standard deviation value is greater than the median, indicating that the DER data has a fairly high level of variation between companies during the study period. This condition indicates differences in debt usage policies among the LQ45 companies included in the study sample.

Furthermore, the firm value variable, proxied by Price to Book Value (PBV), had an average value of 3.901 and a median of 1.65. The minimum PBV value was recorded at 0.43 and the maximum value at 64.89, with a standard deviation of 9.813. The high standard deviation indicates that the firm values in the study sample exhibit significant variation. This reflects differences in market perceptions of the performance and prospects of each company included in the LQ45 index during the 2021–2023 period.

Multicollinearity Test

A multicollinearity test was conducted to determine the presence of a strong linear relationship between independent variables in the research model. A good research model should not show a strong correlation between independent variables. In this study, multicollinearity testing was conducted using the Variance Inflation Factor (VIF) value. According to Hair, Hult, Ringle, & Sarstedt (2021), a research model is declared free from multicollinearity if the VIF value for each variable is below 5.00.

Table 2. Collinearity Statistics (VIF)

	VIF
DER -> PBV	1.000
DPR -> PBV	1.000

Source: SmartPLS 4 output, processed data (2026)

Based on the Collinearity Statistics (VIF) test results in Table 2, the debt policy variable, proxied by the Debt to Equity Ratio (DER) against the company's value (Price to Book Value/PBV), has a VIF value of 1.000. Furthermore, the dividend policy variable, proxied by the Dividend Payout Ratio (DPR) against the company's value, also shows a VIF value of 1.000. This value is below the maximum limit of 5.00 as stated by Hair et al. (2021), thus it can be concluded that the research model is free from multicollinearity problems. These results indicate that there is no high correlation between the independent variables in the research model. Thus, the dividend policy and debt policy variables can be used together in the research model without causing excessive linear relationship disturbances, so the research model is considered feasible to continue to the next testing stage.

R-square test

The R-square (R^2) test is conducted to determine the ability of independent variables to explain variations in the dependent variable in the research model. The R^2 value indicates the extent to which the independent variable contributes to changes in the dependent variable. According to Hair et al. (2021), R^2 values can be classified into three categories: strong if the value is ≥ 0.67, moderate if the value is around 0.33, and weak if the value is around 0.19. The results of the R-square test in this study are presented in the following table.

Table 3. R-square

	R-square	R-square adjusted
PBV	0.084	0.061

Source: SmartPLS 4 output, processed data (2026)

Based on the R-square test results in the table, the firm value variable, proxied by Price to Book Value (PBV), has an R-square value of 0.084 and an adjusted R-square value of 0.061. These values indicate that the dividend policy variable, proxied by the Dividend Payout Ratio (DPR), and the debt policy variable, proxied by the Debt to Equity Ratio (DER), are able to explain 8.4% of the variation in firm value, while the remaining 91.6% is explained by other variables outside the research model. Referring to the criteria proposed by Hair et al. (2021), the R-square value of 0.084 is included in the weak category. This indicates that the ability of the dividend policy and debt policy variables to explain changes in firm value is still relatively limited. Thus, the firm value of LQ45 companies in the 2021-2023 period is not only influenced by dividend policy and debt policy

but also by other factors outside the research model.

Predictive Relevance Test (Q^2)

The Predictive Relevance (Q-square/Q^2) test is used to evaluate the predictive ability of the structural model for endogenous variables in the study. The Q^2 value is used as an indicator to assess the extent to which the model has predictive relevance. According to Hair et al. (2021), a research model is declared to have predictive ability if the Q^2 value is greater than 0. The results of the Predictive Relevance (Q^2) test in this study are presented in the following table.

Table 4. Predictive Relevance

	SSO	SSE	Q^2 (=1-SSE/SSO)
DER	84.000	84.000	0.000
DPR	84.000	84.000	0.000
PBV	84.000	79.005	0.059

Source: SmartPLS 4 output, processed data (2026)

Based on the results of the Predictive Relevance (Q-square/Q^2) test in the table, the firm value variable, proxied by Price to Book Value (PBV), has a Q^2 value of 0.059. This value is obtained from the calculation of the Sum of Squares Observation (SSO) and the Sum of Squares Error (SSE). A Q^2 value greater than 0 indicates that the research model has predictive ability for the dependent variable. Meanwhile, the debt policy variable, proxied by the Debt to Equity Ratio (DER), and the dividend policy variable, proxied by the Dividend Payout Ratio (DPR), have a Q^2 value of 0.000 because both variables act as exogenous variables in the research model. Thus, the predictive relevance test focuses on the endogenous variable, namely firm value. Referring to the criteria of Hair et al. (2021), a Q^2 value of 0.059 indicates that the research model has predictive ability in the small predictive relevance category. This indicates that the dividend policy and debt policy variables have relatively limited ability to predict firm value in LQ45 companies for the 2021–2023 period. Nevertheless, the research model remains deemed predictive because the Q^2 value is above zero.

Significance Test (Hypothesis Testing)

Testing the significance of the relationship between variables in the Partial Least Squares-Structural Equation Modeling (PLS-SEM) model was conducted using a bootstrapping procedure to obtain estimates of the path coefficient, standard error, and p-value. This test aims to determine the level of significance of the influence between latent variables in the research model. According to Hair et al. (2021), a relationship between variables is declared significant if it has a p-value less than 0.05, thus providing empirical support for the hypothesis proposed in the study.

Table 5. Path coefficients

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
DPR -> PBV	0.271	0.295	0.088	3.070	0.002
DER -> PBV	0.095	0.103	0.046	2.044	0.041

Source: SmartPLS 4 output, processed data (2026)

Based on the results of the path coefficients test in the table, the dividend policy variable, proxied by the Dividend Payout Ratio (DPR), shows a path coefficient value of 0.271 with a t-statistic value of 3.070 and a p-value of 0.002. A p-value below 0.05 indicates that dividend policy has a positive and significant effect on firm value. Furthermore, the debt policy variable, proxied by the Debt to Equity Ratio (DER), has a path coefficient (original sample) of 0.095 with a t-statistic value of 2.044 and a p-value of 0.041. A p-value smaller than 0.05 indicates that debt policy has a positive and significant effect on firm value, proxied by Price to Book Value (PBV).

The Effect of Dividend Policy on Firm Value

The results of the hypothesis testing indicate that dividend policy has a positive and significant effect on firm value in LQ45 companies listed on the Indonesia Stock Exchange for the 2021–2023 period. This result is indicated by a path coefficient of 0.271 with a p-value of 0.002, which is smaller than the 0.05 significance level. This finding indicates that the higher the company's

dividend distribution rate, the higher the company's value, as reflected in the Price to Book Value (PBV). The results of this study support signaling theory, which explains that dividend policy can be a positive signal to investors regarding the company's future condition and prospects. Companies that distribute high dividends are seen as having good profit-generating capabilities and stable financial conditions. This positive signal increases investor confidence in the company, thereby driving increased demand for shares and impacting firm value. Furthermore, the results of this study indicate that investors in LQ45 companies tend to respond positively to dividend distribution policy. Dividends are seen as a form of certainty of profits received by investors, so companies that consistently distribute dividends have a higher appeal in the capital market. This condition causes the company's share price to increase, which ultimately increases the company's value. The results of this study align with research conducted by Pramesti et al. (2025) which found that dividend policy positively impacted firm value in mining companies listed on the Indonesia Stock Exchange for the 2019-2023 period. These findings reinforce the notion that dividend policy is a factor that can enhance investor perceptions of a company. Therefore, dividend policy can be a strategy used by companies to increase firm value. Optimal dividend distribution not only benefits shareholders but also increases market confidence in the company's future prospects and performance.

The Effect of Debt Policy on Firm Value

The results of the hypothesis testing indicate that debt policy has a positive and significant effect on firm value in LQ45 companies listed on the Indonesia Stock Exchange for the 2021–2023 period. This result is indicated by a path coefficient of 0.095 with a p-value of 0.041, which is smaller than the 0.05 significance level. This finding indicates that optimally managed increased debt usage can increase firm value, as proxied by Price to Book Value (PBV). The results of this study support signaling theory, which explains that debt policy can function as a positive signal for investors. The use of debt by a company reflects management's confidence in the company's ability to meet future financial obligations. Companies that boldly use debt in their funding structure are seen as having good business prospects and the ability to generate adequate cash flow. This positive signal can increase investor confidence in the company, thereby impacting firm value. Furthermore, the results of this study also support the trade-off theory, which states that the use of debt can increase firm value through tax savings benefits (tax shields). The use of debt within optimal limits can increase the efficiency of a company's capital structure, thereby benefiting the company in maximizing firm value. However, this theory also emphasizes that debt use must be managed carefully to avoid the risk of financial distress. The results of this study align with research conducted by Azharin & Ratnawati (2022) which found that debt policy positively impacted firm value in property companies listed on the Indonesia Stock Exchange during the 2017–2020 period. These findings indicate that optimal debt use can positively impact investor perceptions and increase firm value. Therefore, debt policy can be a strategy for companies to increase firm value if managed optimally. Appropriate debt use not only helps companies meet funding needs but also increases investor confidence in the company's future prospects and performance.

Conclusion

Based on research findings on the effect of dividend policy and debt policy on firm value in LQ45 companies listed on the Indonesia Stock Exchange for the 2021–2023 period, it can be concluded that dividend policy has a positive and significant impact on firm value. These results indicate that increasing dividend distribution can increase investor confidence in the company's prospects, thereby increasing its value. This finding supports signaling theory, which explains that dividend distribution can be a positive signal to investors regarding the company's future condition and prospects. Furthermore, debt policy has also been shown to have a positive and significant impact on firm value. These results indicate that optimally managed debt use can increase firm value. These findings support signaling theory and trade-off theory, which explain that debt use can send a positive

signal to investors regarding management's confidence in the company's ability to meet financial obligations and provide tax shield benefits that can increase firm value.
Overall, the research results indicate that dividend and debt policies are factors that can influence firm value in LQ45 companies for the 2021–2023 period. Therefore, companies need to consider optimal financial policies to increase investor confidence and maximize firm value.

Suggestion

Future research is recommended to include other variables that could potentially influence firm value, such as profitability, firm size, liquidity, firm growth, and good corporate governance. Furthermore, further research is recommended to expand the research object to other corporate sectors and extend the observation period to obtain more comprehensive results and provide a better level of generalizability.

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