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Implications of Financial Factors on the Value of Insurance Companies through Dividend Policy in Insurance Companies

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ABSTRACT

Purpose – This study aims to analyze the effect of financial performance on firm value with dividend policy as an intervening variable in insurance companies listed on the Indonesia Stock Exchange during 2018–2024.
Methodology/approach – Financial performance is proxied by Return on Assets (ROA), Debt to Equity Ratio (DER), and Current Ratio (CR). The object of the research is insurance companies listed on the Indonesia Stock Exchange during 2018–2024.
Findings – The results show that ROA, DER, and CR do not significantly affect dividend policy. Dividend policy has a positive and significant effect on firm value. Simultaneously, ROA, DER, CR and dividend policy significantly influence firm value. The model explains 22.97% of the variation in firm value, while the rest is explained by other variables outside the research model.

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INTRODUCTION

Company value is one of the important indicators that reflects investors' perception of the company's performance and future prospects. A high company value indicates a high level of investor confidence in the company's ability to generate profits and maintain financial stability.

In financial theory, a company's value is influenced by various factors, both internal and external. One of the internal factors that is often used to assess a company's performance is financial performance which can be measured through financial ratios such as profitability, liquidity and solvency.

Profitability proxied by Return on Assets (ROA) shows the company's ability to generate profits from its assets. The higher the level of profitability, the greater the company's potential to increase the company's value. In addition, the capital structure proxied with the Debt to Equity Ratio (DER) is also an important factor in determining the company's value because it is related to the company's risk level. Liquidity measured using the Current Ratio (CR) shows the company's ability to meet its short-term obligations. A good level of liquidity reflects a company's healthy financial condition so that it can increase investor confidence. In addition to financial performance factors, dividend policy is also one of the factors that can affect the company's value. The dividend policy is the company's decision regarding the amount of profit that will be distributed to shareholders in the form of dividends

Based on this background, this study aims to analyze the influence of Return on Assets, Debt to Equity Ratio and Current Ratio on the value of companies with dividend policies as intervening variables in insurance companies listed on the Indonesia Stock Exchange for the period 2018–2024

LITERATURE REVIEW

Return on Assets (ROA)

Return On Assets (ROA) is a ratio used to measure a company's ability to earn profits (profits). According to Effendi, the 2019 Return on Assets (ROA) is a ratio used to measure the ability of a company's management to make a profit by utilizing total assets. Meanwhile, according to Safitri & Mukaram, 2018 A company's profitability can be calculated by comparing the profit generated during a certain period with the company's total assets or capital. A company's profitability is determined by the company's success and its capacity to use assets productively

Debt to Equity Ratio (DER)

Debt to Equity Ratio is a comparison between debt and own capital. A high Debt to Equity Ratio indicates that the business capital used makes more use of debt so that it can cause a decrease in the company's solvency level (Sirait et al. 2021: 287). Meanwhile, according to Darmawan (2020: 77), the Debt to Equity Ratio is a ratio used to assess debt to equity. This ratio is useful for determining the amount of funds provided by the loan (creditor) with the company owner. In other words, this ratio serves to determine every rupiah of its own capital that is used for debt collateral

Current Ratio (CR)

Current Ratio is a ratio used to measure a company's ability to pay its short-term debts that are due soon by using its total current assets. This current ratio describes the availability of a company's current assets compared to its total current debt (Alexander Thian, 2022:58). The current ratio is a ratio used to measure the size of the current assets used to pay current

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debts. According to Kasmir (2018:135) that "From the results of the ratio measurement, if the current ratio is low, it can be said that the company lacks capital to pay debts"

Measurement Company Value with Price Book Value (PBV)

According to (Brigham & Houston, 2018), Price to Book Value (PBV) is used to describe how the market values a company's equity compared to its book value. This ratio shows the level of investor confidence in the company's future prospects. The higher the PBV value, the greater the market expectation of the company's growth and performance. The calculation of Price Book Value can be through a comparison between the stock price and the book value per share. The higher the Price Book Value, the higher the level of prosperity of the shareholders because it makes investors believe in the company's good prospects in the future

Dividend Policy with Dividend Payout Ratio (DPR) Measurement

The dividend policy, according to Mulyawan (2017), is a policy to distribute the company's profits to shareholders in the form of dividends or to hold it in the form of retained earnings which are then used to

METHODOLOGY

This study uses a quantitative approach with a panel data regression analysis method. The data used is secondary data obtained from the financial statements of insurance companies listed on the Indonesia Stock Exchange for the 2018–2024 period.

The population in this study is all insurance companies listed on the Indonesia Stock Exchange. The sampling technique uses purposive sampling based on the criteria of companies that publish complete financial statements during the research period. Data analysis was carried out using EViews software through Panel Data Regression Model Selection, Classical Assumption Test, Hypothesis Test and Sobel Test

Hypothesis Formulation:

H1: Return On Assets (ROA) has a positive effect on dividend policy
H2: Debt Equity Ratio (DER) has a negative effect on dividend policy
H3: Current Ratio (CR) has a positive effect on dividend policy
H4: Return On Assets (ROA) has a positive effect on the company's value
H5: Debt Equity Ratio (DER) has a negative effect on the company's value
H6: Current Ratio (CR) has a positive effect on the company's value
H7: Dividend Policy has a positive effect on the company's value

RESULT AND DISCUSSION

In this section, the results of research related to the influence of financial performance on the value of companies with dividend policy as an intervening variable in insurance companies listed on the Indonesia Stock Exchange during 2018-2024 will be described.

Table 1 Descriptive Statistical Analysis

	Company Values	Dividend Policy	ROA	DER	CR
Mean	0.805249	58.18434	2.504694	1.674694	1.613113
Median	0.701870	44.71488	2.380000	1.570000	1.463100

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Maximum	1.996115	293.8619	5.320000	3.250000	4.036670
Minimum	0.174250	12.31793	0.460000	0.880000	0.752041
Std. Dev.	0.476075	49.55572	1.256875	0.505289	0.668269
Skewness	0.995589	2.663313	0.437201	0.763916	2.190727
Kurtosis	3.199939	12.02193	2.595844	3.465620	8.301002
Jarque-Bera	8.176400	224.1099	1.894503	5.208443	96.56626
Probability	0.016769	0.000000	0.387805	0.073961	0.000000
Sum	39.45718	2851.033	122.7300	82.06000	79.04255
Sum Sq. Dev.	10.87906	11.78769	75.82722	12.25522	21.43602
Observations	49	49	49	49	49

Source : : output eviews 13, 2025

Table 2 Panel Data Regression Model Selection

No	Methode	Testing	Result
1	Chow Test	Fixed Effect vs Common Effect	Fixed Effect Model
2	Hausman Test	Fixed Effect vs Random Effect	Random Effect Model
3	LM Test	Common Effect vs Random Effect	Random Effect Model

Source: Data processed by researchers with Eviews 13, 2025

From the results of the model selection test, it was concluded that the Random Effect Model (REM) method is more appropriate to be used to estimate the regression of panel data

Table 3 Conclusion of the Classical Assumption Test

Test Type	Key Result	Stastical Value	Probability / Criteria	Conclusion
Normality (Jarque–Bera)	JB = 1,023480	Prob = 0,599452	> 0,05	Normally distributed data
Multikolinearitas (VIF)	ROA-DER: 0,2776 ROA-CR: 0,3412 DER-CR: -0,0482 ROA-KEBIJAKAN DIVIDEN: –0,2223 DER-KEBIJAKAN DIVIDEN: –0,0842 CR-KEBIJAKAN DIVIDEN: –0,1574	All < 0,80	No multicollinearity	Models worth using
Heterokedastisitas (EGLS)	ROA (0,9290) DER (0,6777) CR (0,4033) Kebijakan Dividen (0,9471)	Prob > 0,05	No heterokedasticity	Models worth using

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Test Type	Key Result	Stastical Value	Probability / Criteria	Conclusion
Autocorrelation (Durbin-Watson)	DW = 1,812851	1,5 < DW < 2,5	Safe Areas	No Autocorrelation

Source: Data processed by researchers with Eviews 13, 2025

Table 4 Hypothesis Test Conclusion

Test Type	Statistical value	Probability / Criteria	Conclusion
F Test	Prob(F) = 0,003528	> 0,05	Have a significant effect simultaneously
T Test	ROA, DER, CR > 0,05 Kebijakan Dividen < 0,05	Only a significant Dividend Policy	Dividend Policy has a positive and significant effect on Company Value
Coeficient Determination (R^2)	Adjusted R^2 = 0,229762	The model explains the 22.97% variation in Company Value	Good Model

Source: Data processed by researchers with Eviews 13, 2025

Sobel Test

The sobel test is used to test whether the Dividend Policy acts as a mediator between ROA, DER and CR on the Company's Value

Return on Asset (ROA) on Company Value Through Dividend Policy as an Intervening Variable

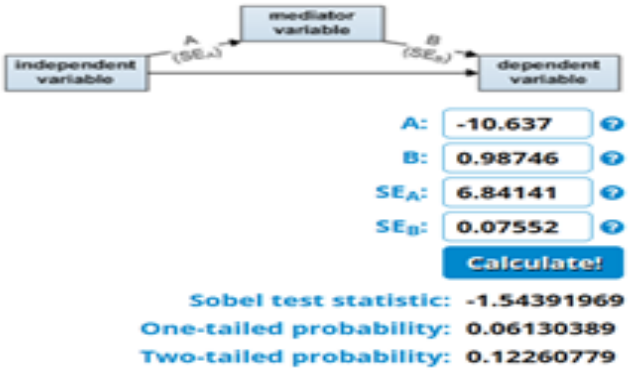

Figure 1 sobel test of Return on Asset (ROA) on Company Value Through Dividend Policy as an Intervening Variable

Based on the results of the mediation test using the Sobel test, a statistical value of –1.54391969 was obtained with a p-value of 0.12260779 which is greater than the significance level of 5% (α = 0.05). These results show that the Dividend Policy is not able to mediate the influence of ROA on Company Value. The Dividend Policy variable in this model has not been

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proven to perform its role as an intervening variable (mediating) that bridges the relationship between ROA and Company Value

Debt to Equity Ratio (DER) to Company Value Through Dividend Policy as an Intervening Variable

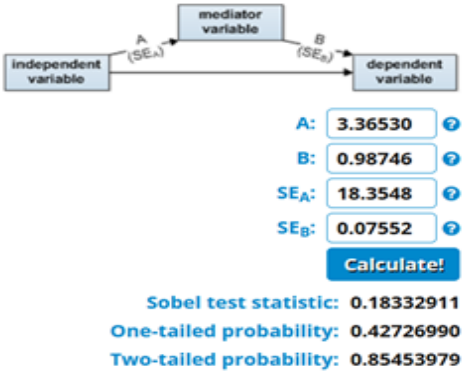

Figure 2 Debt to Equity Ratio (DER) to Company Value Through Dividend Policy as an Intervening Variable

Based on the results of the mediation test using the Sobel test, a statistical value of 0.1833291 was obtained with a p-value of 0.854539 which is greater than the significance level of 5% (α = 0.05). The results of this statistical test show that Dividend Policy has not been proven to play a role as an intervening variable in the relationship between Debt to Equity Ratio (DER) to Company Value. Dividend policy is not a significant mediation channel for the influence of DER in increasing the company's value

Current Ratio (CR) to Company Value Through Dividend Policy as an Intervening Variable

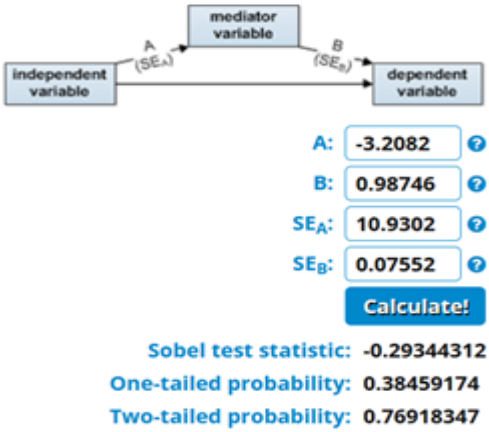

Figure 3 Current Ratio (CR) to Company Value Through Dividend Policy as an Intervening Variable

Based on the results of the mediation test using the Sobel test, a statistical value of -0.293441 was obtained with a p-value of 0.76918347 which is greater than the significance level of 5% (α = 0.05). The results of this statistical test show that the Dividend Policy has not

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been proven to play a role as an intervening variable in the relationship between the Current Ratio (CR) to the Company Value

Interpretation of Research Results

Overall, the results of the study show that several financial factors such as Return on Assets (ROA), Current Ratio (CR) and Debt to Equity Ratio (DER) do not have a significant effect on dividend policy and company value in insurance companies listed on the Indonesia Stock Exchange for the period 2018-2024. This condition indicates that the mechanism for determining dividend policy and corporate value formation in the insurance sector is not fully determined by conventional financial performance as is the case in the non-financial sector

Structurally, insurance companies operate in a very strict regulatory environment, especially related to the obligation to establish technical reserves and solvency levels. Regulations from the Financial Services Authority (OJK) require insurance companies to prioritize the fulfillment of technical reserves and minimum solvency ratios to ensure the company's ability to meet policyholder claims. As a result, even though the company shows relatively good financial performance, the resulting profit is not automatically allocated for dividend distribution, but is held to strengthen its capital position and maintain business sustainability.

In addition, the characteristics of the financial structure of an insurance company are different from those of a manufacturing or non-financial services company. Liquidity ratios such as the Current Ratio in insurance companies tend not to reflect the company's real ability to pay dividends because most current assets are in the form of investments intended to meet future claim obligations. Therefore. Changes in the Current Ratio are not the main consideration of management in setting dividend policies.

In terms of capital structure, the Debt to Equity Ratio (DER) also does not have a significant effect because the insurance company's main source of funding does not come from conventional debt, but from premiums received from policyholders. Thus, a relatively high or low level of DER does not directly affect dividend distribution decisions or investors' perception of the company's value. The insignificance of the influence of ROA on company value indicates that investors in the insurance sector do not solely value companies based on their short-term profitability levels. Investors tend to pay more attention to aspects of financial stability, solvency level, regulatory compliance and the company's ability to manage claims risk. This causes an increase in profit not always to be proportionate to the increase in company value which is reflected through Price to Book Value (PBV)

CONCLUSION

Based on the results of analysis and hypothesis testing on insurance companies listed on the Indonesia Stock Exchange for the period 2018–2024. So a conclusion is obtained that answers the formulation of the problem as follows:Return on Assets (ROA) terhadap Kebijakan Dividen

The results of the study show that Return on Assets does not have a significant effect on dividend policy. This means that the level of profitability of an insurance company has not yet become a major factor in determining the distribution of dividends because most of the profits are used to strengthen capital and meet the company's solvency requirements

Debt to Equity Ratio (DER) terhadap Kebijakan Dividen

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The Debt to Equity Ratio also does not have a significant effect on dividend policy. The capital structure dominated by own capital and premium funding makes the debt ratio not the main consideration in dividend distribution decisions.

Current Ratio (CR) to Dividend Policy

The Current Ratio has no significant effect on dividend policy, suggesting that high liquidity does not necessarily drive dividend increases as some of the current assets are used to meet claims reserves and long-term operational needs.

Return on Assets (ROA) to Company Value

Return on Assets has no significant effect on the company's value. Investors don't just look at profitability. but also non-financial factors such as stability and corporate governance in assessing the value of shares in the insurance sector.

Debt to Equity Ratio (DER) to Company Value

The Debt to Equity Ratio does not have a significant effect on the value of the company. The relatively stable level of leverage in the insurance industry has not been able to provide a strong signal for investors to increase the company's value

Current Ratio (CR) to Company Value

The Current Ratio has no significant effect on the company's value. A high level of liquidity is not always interpreted positively by investors as it can reflect idle funds that have not been optimized for increased profits.

Dividend Policy on Company Value

The dividend policy has a positive and significant effect on the company's value. This supports the Signaling Theory that dividend distribution gives a positive signal to investors regarding the company's financial prospects and future performance

Suggestions

Based on the results of the research and conclusions that have been obtained, the suggestions that can be given are as follows:

For Insurance Company Management

The company needs to maintain the stability of profits and dividends in order to increase investor confidence and balance between withholding profits for expansion and distributing profits to shareholders.

For Investors

In making investment decisions, investors should not only consider the financial ratios of Return on Assets (ROA), Debt to Equity Ratio (DER) and Current Ratio (CR) but also aspects of governance, financial stability and the company's dividend policy.

For Academics and Researchers Further

It is recommended to add other variables such as Capital Adequacy Ratio (CAR), Return on Investment (ROI), firm size, sales growth and risk-based capital (RBC) as well as expand the cross-sector sample to make the results more comprehensive

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