

Moderating Role of Dividend Policy on Idiosyncratic Risk, Governance, And Firm Value Relationship

Rino Tam Cahyadi

Tarsisius Renald Suganda

Blasius Leonardo Woersok

¹Affiliation: Universitas Ma Chung, Indonesia

Correspondence email: rino.tam@machung.ac.id

Abstract

Introduction/Main Objectives: This study explores the influence of idiosyncratic risk and corporate governance on firm value, while examining whether dividend policy moderates these relationships within the context of Indonesian publicly listed companies. This research specifically addresses the question of whether idiosyncratic risk, governance structures, and dividend policy jointly explain variations in firm value among firms listed in the Kompas 100 Index.

Background Problems: The topic is relevant due to ongoing inconsistencies in the literature regarding how internal firm-specific risks and governance mechanisms contribute to market valuation, particularly in emerging markets where investor behavior and institutional environments differ significantly from those of developed economies.

Research Methods: The study adopts a quantitative approach using panel data regression, drawing on secondary data from 44 companies that consistently appeared in the Kompas 100 Index during the 2020–2024 period. Firm value was measured using both the Price-to-Book Value (PBV) ratio and Tobin's Q to capture different dimensions of market valuation. Idiosyncratic risk was calculated using firm-specific return variations, while governance variables included board size, board of commissioners, and the proportion of independent commissioners. Dividend policy was operationalized using a dummy variable indicating dividend distribution. Statistical analyses were conducted using Random Effect Models, selected

Finding/Results: The empirical results reveal that idiosyncratic risk has a positive and significant effect on firm value when measured by Tobin's Q, suggesting that investors may perceive firm-specific risk as a signal of growth potential or strategic differentiation. However, idiosyncratic risk does not significantly affect PBV. Corporate governance variables, meanwhile, show no significant effect on firm value under either valuation metric. Furthermore, dividend policy does not moderate the relationship between risk, governance, and firm value.

Conclusion: The study concludes that firm-specific risk plays a more influential role in shaping market expectations than conventional governance indicators in the Indonesian capital market. These findings imply that investors may prioritize risk–return considerations over governance structures, highlighting the need for broader governance measures and contextual analyses in future research.

Keywords: Idiosyncratic Risk, RiskCorporate Governance, GovernanceDividend Policy, Remove Dividend Policy, Firm Value

