ABSTRACT

This study aims to analyze the relationship between dividend policy and firm value by considering earnings management as a mediating variable and corporate governance mechanisms as moderating variables. Specifically, this study examines the mediating role of earnings management in the relationship between dividend policy, proxied by the dividend payout ratio (DPR) and dividend yield (DY), and firm value. In addition, this study investigates whether board accounting expertise and the presence of independent commissioners weaken the relationship between dividend policy and earnings management practices. This study employed a quantitative approach, and data from publicly listed companies were analyzed using partial least squares structural equation modeling (PLS-SEM). The results showed that dividend policy significantly influences firm value. In contrast, earnings management was not found to have a significant effect on firm value. Furthermore, earnings management did not mediate the relationship between dividend policy and firm value. These findings indicate that the market directly responds to dividend policy as a signal of firm prospects and cash flows, without relying on accrual-based earnings quality evaluation. Additionally, the results reveal that board accounting expertise does not moderate the relationship between dividend policy and earnings management, regardless of whether dividend policy is measured using DPR or DY. Conversely, independent commissioners were found to partially moderate this relationship in a positive direction, which is inconsistent with the proposed hypothesis. This suggests that an increase in the proportion of independent commissioners does not necessarily constrain earnings management practices under market pressure to maintain dividend stability. This study contributes to the literature by highlighting the limited role of earnings management as a transmission mechanism between financial policy and firm value. It also extends signaling theory and agency theory by demonstrating that the effectiveness of corporate governance mechanisms is contextual rather than universal. The findings provide practical implications for regulators, boards of commissioners, and capital market investors in understanding the limitations of formal governance structures and the importance of considering market dynamics when evaluating dividend policy and firm value.

Keywords: dividend policy, earnings management, firm value, corporate governance, agency theory, signaling theory.