



A Systematic Literature Review: The Influence of Stock Liquidity and Dividend Policy on Firm Value in Companies Listed on the Indonesia Stock Exchange (IDX)

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Abstract: *The objective of this research is to systematically review the effect of stock liquidity and dividend policy regarding corporate valuation among entities traded on the Indonesia Stock Exchange (IDX). By analyzing empirical studies published between 2015 and 2024, this study highlights the most consistent determinants of firm value, the role of dividend policy (Dividend Payout Ratio, Dividend Yield), and stock liquidity (Turnover Ratio, Bid-Ask Spread) as influential factors. This review reveals that while dividend policy shows a robust beneficial correlation with corporate valuation, the effect of stock liquidity remains variable. This study contributes to a better understanding of capital market dynamics in emerging markets such as Indonesia.*

Keywords: *Firm Value, Stock Liquidity, Dividend Policy, Systematic Literature Review, IDX*

Introduction

As defined, firm value is a picture of investor perception of an enterprise, frequently linked to its share valuation. Consistent with the theory of the firm, the primary objective of such entities is to optimize their economic worth. Corporate valuation is quantifiable via Tobin's Q, an indicator that mirrors investors' appraisal of the entity's immediate and anticipated profitability. This indicator holds significant relevance within Indonesia's expanding economy, particularly as it faces escalating competitive pressures stemming from globalization and an open international marketplace (Amimakmur et al., 2024).

Companies that go public aim to enhance enterprise valuation, as this represents a key determinant for financial backers during their investment decisions. Company worth serves as a key metric of financial efficacy, as an elevated valuation typically signifies enhanced prosperity for equity holders. When selecting a sound enterprise, financial backers do not arbitrarily commit funds, as they perceive the entity's worth to be encapsulated in its share quotation. The equity valuation of an entity, established through transactional activity between purchasers and vendors, constitutes its market capitalization. This share quotation is generally regarded as indicative of the corporation's underlying asset worth. The corporate valuation, as reflected by its stock market capitalization, is significantly impacted by available investment prospects. The availability of promising capital deployment avenues offers an optimistic indication of a firm's forthcoming expansion, which

subsequently boosts its equity quotation and, in turn, augments the overall corporate worth (Sondakh, 2019).

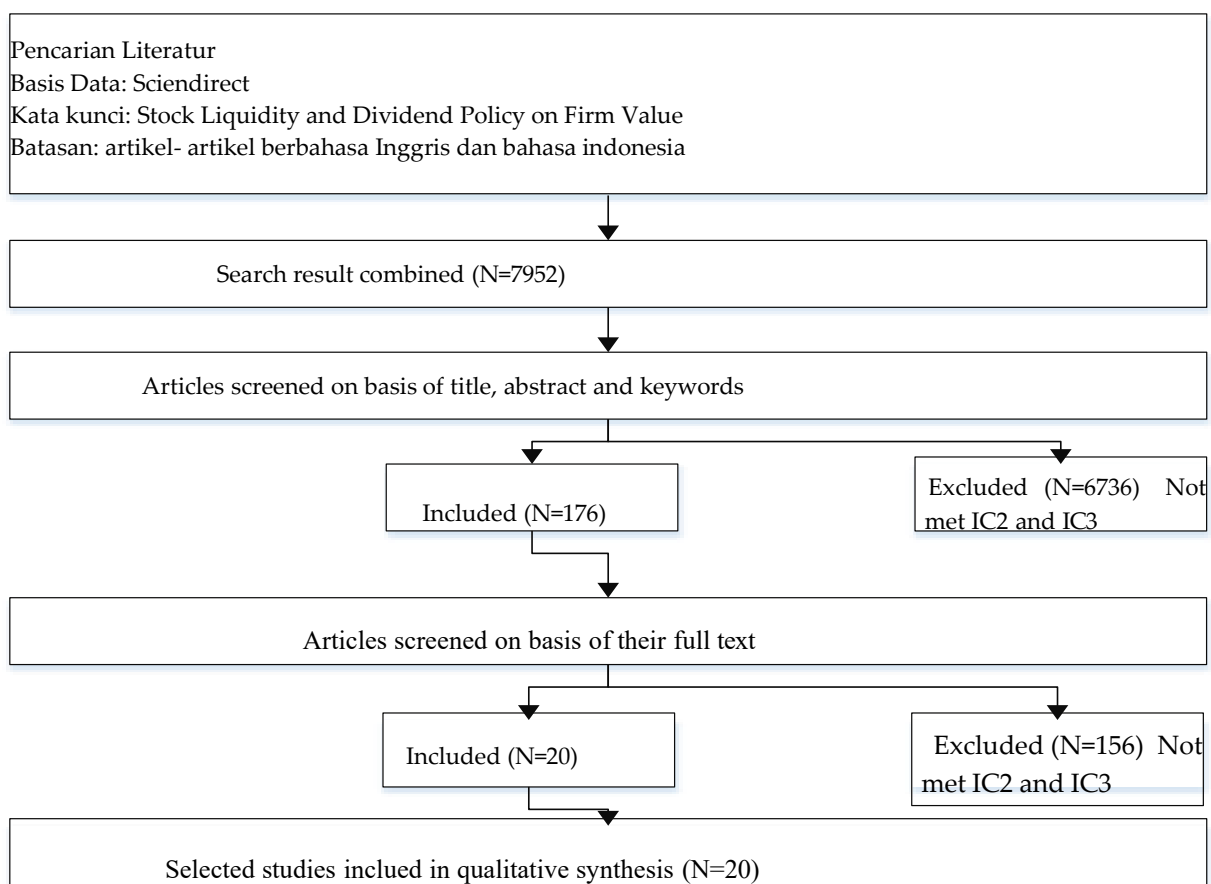
Every company an entity undertaking a public listing unequivocally aims to demonstrate to capital allocators that it represents a premier investment opportunity for investment. Numerous determinants can influence the worth of the company. In this study, two factors are used, namely dividend policy, liquidity. Equity holders often depend on distributions to satisfy their cash flow requirements. However, in a more fluid equity market, they can divest a portion of their investments with minimal transaction expenses to address their immediate financial needs, rather than solely depending on payouts needs (Nguyen, 2020). Research into corporate dividend strategy continues to yield inconclusive findings concerning its influential factors. Equity market fluidity is often regarded as a potential determinant of dividend payouts. Academic discourse presents two opposing theories concerning the influence of share tradability on dividend strategy. The conventional perspective on investor transaction costs posits an inverse correlation between equity market fluidity and dividend distributions. Conversely, it posits contrasting propositions concerning this association. Its theory is predicated upon the signaling capacity of share tradability and anticipates a beneficial impact of equity market fluidity on dividend distributions (Stereńczak & Kubiak, 2022).

This review aims to consolidate and synthesize existing research on this topic to provide a clearer understanding of impact of dividend strategy and share tradability on corporate valuation in the context of IDX-listed companies.

Research Method

The present research employs a systematic review methodology ach following a structured approach to collect, analyze, and synthesize research findings systematically.

The steps for systematic literature review through PRISMA Flowchart are shown below:



Research Design

The present investigation employs a systematic review methodology following a structured approach to collect, analyze, and synthesize research findings systematically.

Literature Selection Criteria

Source:

This review combines 20 journal articles sourced from Google Scholar, Garuda Ristekdikti, DOAJ, sciendirect and other leading databases.

Inclusion Criteria:

The study focuses on companies listed on the Indonesian Stock Exchange (IDX). Variables include company value, dividend policy, liquidity. Period 2019-2024

Exclusion Criteria:

Articles that were not peer-reviewed or studies with sufficient empirical data were excluded.

Findings

Based on the search results and article selection, 10 relevant studies were obtained for review. These studies indicate that dividend strategy generally exerts a beneficial and statistically significant impact on corporate valuation., both through the Dividend Payout Ratio (DPR) and Dividend Yield (DY). Meanwhile, the effect of stock liquidity on firm value shows varying results, depending on the indicators used (Turnover Ratio, Bid-Ask Spread).

Tabel 1. Systematic Literature Review (SLR) Results Table

No	Title	Writer (Year)	Key Variables	Method	Key Findings
1.	The Influence of Liquidity, Dividend Policy, and Profitability on Company Value	(Adinda et al., 2024)	Liquidity, DPR, Profitability	Multiple Linear Regression	Share tradability and capital distribution strategy exert a statistically significant beneficial influence on company value
2.	Stock Market Liquidity and Firm Dividend Policy	(Banerjee et al., 2005)	Stock Liquidity, Dividend Policy	Data Panel	Market depth exerts a substantial beneficial influence on dividends
3.	Dividend Policy, Its Asymmetric Behavior and Stock Liquidity	Sari & Ahmad (2020)	Liquidity, Dividend Policy	Event Study & Quant Regression	Dividends are asymmetric, influenced by stock liquidity
4.	The Influence of Operating Cash Flow, EVA and Dividend Yield on Company Value	The Last Supper (2023)	OCF, EVA, Dividend Yield, Enterprise Value	Linear Regression	Dividend yield and EVA have a significant positive effect on value
5.	The Role of Dividend Policy as a Mediator...	(Dwi & Yuvisa, 2023)	Corporate Governance, Dividend Policy, Company Value	SEM-PLS	Dividends mediate the effect of CG on firm value
6.	The Effect of Funding, Investment and Dividend Policies	(Nugraha et al., 2021)	Funding, Investment, Dividend,	regression	All X variables have a significant effect on the value

	on Firm Value		Company Value		
7.	Analysis of Capital Structure, Dividends, and Performance on Company Value	(Company et al., 2024)	Capital Structure, Dividends, Firm Value	Linear Regression	Dividends are significant to company value
8.	The Influence of Financial Performance on Company Value with Dividend Policy as Moderation	(Nurhayati, 2019)	ROA, DER, Dividend Policy, Firm Value	Moderated Regression	Dividends strengthen the influence of ROA on company value
9.	Determinants of Dividend Policy: A Sectoral Analysis from Pakistan	(Arif & Akbar, 2013)	Liquidity, Leverage, Profitability, Dividend Policy	Data Panel	Liquidity and profitability affect dividend policy
10.	The Effect of Capital Structure, Dividend Policy and Foreign Ownership on Firm Value	(Setiawan et al., 2023)	Capital Structure, Foreign Ownership, Dividend, Firm Value	SEM-AMOS	Dividends & capital structure are significant to firm value
11.	The effects of stock liquidity on firm value and corporate governance: Endogeneity and the REIT experiment	(Cheung et al., 2015)	Stock liquidity, REIT, Corporate governance, Institutional ownership, Endogeneity	Reit	Market liquidity has a significant negative effect on Tobin's Q 1 year ahead.
12.	The Effect of Capital Structure, Dividend Policy, and Foreign Ownership on Firm Value	(Sumarno & Setiawan, 2023)	capital structure; dividend policy; firm value; foreign ownership	Data Panel	The firm's capital distribution strategy notably influences its corporate valuation.
13.	the Effect of Dividend Policy, Liquidity, Profitability and Firm Size on Firm Value in Financial Service Sector Industries Listed in Indonesia Stock Exchange 2015-2018 Period	(Sondakh, 2019)	firm value, dividend policy, liquidity, profitability, firm size	Linear regression	H1 Dividend policy impacts corporate valuation.
14.	The Influence of Liquidity, Solvency, and Profitability on Company Value	(Harfani & Nurdiansyah, 2021)	Liquidity, Profitability, and Company Value.	Multiple linear analysis	Share tradability influences corporate valuation.
15.	The influence of profitability, company size, capital structure and liquidity on the value of food and beverage companies	(Darmayanti, 2019)	Corporate valuation, financial performance, organizational scale, financing framework, and market depth	Measured by PBV	Share tradability exerts a statistically significant beneficial influence on corporate valuation
16.	The Influence of Systematic Risk,	(Enalia, 2024)	Market-related risk, asset	multiple regression	Share tradability beneficially influences

	Profitability, Capital Structure and Liquidity on Company Value in the Consumer Goods Industry Sector.		profitability, the leverage ratio, short-term liquidity, and the market-to-book multiple.	analysis	corporate valuation
17.	The Influence of Investment Decisions, Dividend Policy and Capital Structure on Firm Value.	(Hasanuddin, 2021)	Investment Decision; Dividend Policy; Capital Structure; Firm Value.	Data kuantitatif	Dividend policy has a significant positive effect on firm value
18.	The Intervening Effect of the Dividend Policy on Financial Performance and Firm Value in Large Indonesian Firms.	(Santosa et al., 2020)	Fiscal efficacy, corporate valuation, capital distribution strategy, and extensive enterprises, IDX.	linear regression analysis	The effect of share tradability on corporate valuation, exhibiting either a beneficial or detrimental association with extensive Indonesian enterprises (+/-).
19.	Analysis of the Effect of Profitability, Solvability, and Dividend Policy on Banking Firm Value.	(Meand, n.d.)	Bank, dividend policy, firm value, profitability, solvability.	Metode kausal	kebijakan dividen pada perusahaan manufaktur berpengaruh signifikan terhadap nilai perusahaan.
20.	the influence of profitability, company growth and liquidity on company value.	(Chynthiawati & Jonnardi, 2022)	Corporate Valuation, Financial Performance, Organizational Expansion, Market Depth.	Correlation Research	Share tradability exerts a statistically significant adverse impact on corporate valuation.

The table presents a summary of the 20 articles reviewed, including year, authors, variables used, analysis methods, and main results of each study.

Result and Discussion

Liquidity and Company Value

Several studies have shown that high stock liquidity can attract more institutional investors and increase market valuation, while others have not found a significant relationship. This difference may be due to market conditions, industry type, and control variables used in each study. The liquidity metric quantifies an entity's challenge in settling its maturing current obligations. This financial incapacity may arise from factors such as insufficient immediate capital or the delay involved in converting less liquid assets (e.g., specific securities or other holdings) into cash. The Current Ratio is employed to gauge liquidity, providing insight into an entity's capacity to fulfill its short-term obligations. A benchmark of 200% for this ratio is commonly considered favorable for a firm (2:1). Astuti and Yadnya's (2019) research Share tradability influences corporate valuation; a greater degree of market depth is associated with an elevated firm worth, and conversely. However, different results indicate that liquidity has no effect on company value (Harfani &

Nurdiansyah, 2021)

Dividend Policy and Company Value

The research conducted focuses on the automotive subsector in Indonesia. Their research results show that solvency and profitability significantly influence corporate valuation (quantified by Tobin's Q) through dividend policy as an intervening variable. This shows that payout policy operates not solely as a vehicle for disseminating gains, yet also as a method for increase firm value. In a different context, the impact of dividend volatility across time horizons. Their study concluded that management of proximate and protracted dividend-related exposuresent is very important to stabilize firm value, especially in companies with high leverage (Hanofa et al., 2024). This review confirms that dividend policy serves as a beneficial indicator of fiscal efficacy and stability of the company, thereby increasing investor perceptions of Corporate valuation. This result aligns with the tenets of signaling theory, where dividends are considered a signal of healthy cash flow and bright prospects. On the other hand, stock liquidity is instrumental in enhancing market share confidence and efficiency, although the results are not uniform in all studies.

Synthesis and Key Findings The synthesis of the reviewed literature revealed several key findings:

1. Stock liquidity is generally defined as the ability to trade large amounts of company shares at low cost in a short time short. Stock liquidity anticipated to influence dividend distributions either beneficially or detrimentally. The adverse effect arises from the interchangeability of gains realized from equity disposals and dividends. When capital allocators possess readily tradable equities, they are able to effortlessly divest their stake in the entity with minimal price impact and without delay. Consequently, they may not anticipate direct income from payouts to fulfill their immediate cash requirements. Consistent with this assertion, American corporations holding shares with lower tradability demonstrate a greater propensity to distribute monetary dividends (Nguyen, 2020)
2. Dividend policy acts as a governance mechanism, reducing the scope of management earnings and increasing investor confidence. These findings underscore the multifaceted part played by capital distribution decisions in organizational finance, bridging profitability, oversight, and investor relations.
3. Enterprise worth represents how financial backers view an organization's achievement, a view often correlated with its stock market performance. Consequently, substantial share prices indicate an augmented overall company worth. An elevated corporate valuation can instill market confidence in the firm's current efficacy and its forthcoming prospects (Fajriah et al., 2022)

Conclusion

This systematic literature review shows that payout strategy constitutes a crucial component of financial governance, shaped by a range of both internal and external determinants. Profitability, ownership structure, managerial ability, and institutional

context all play important roles in shaping dividend practices. Dividend policy not only distributes profits but also signals financial stability, aligns management with shareholders' interests, and reduces earnings management practices.

This study concludes that dividend policy has a consistent positive effect on firm value in companies listed on the IDX. Stock liquidity also has an important effect, although the results vary across studies. These findings indicate the need for corporate management to consider these two factors in strategic decision making. In practice, investors can use dividend information as an important indicator in assessing corporate valuation. Companies should design dividend policies that reflect their financial strength and strategic objectives while considering the preferences of major shareholders. For investors, dividend policy provides valuable insights into the financial health and governance practices of a company, helping them make informed investment decisions. For further research, it is recommended to use a meta-analysis approach and explore the moderation of firm size or leverage to strengthen the generalizability of the findings.

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