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Islamic ethical perspective on capital structure, profitability, and firm value: evidence from Indonesia's healthcare sector

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Abstract

This study investigates the influence of capital structure, profitability, and firm size on firm value, with dividend policy as a moderating variable, viewed from an Islamic ethical perspective. Using panel data from healthcare companies listed on the Indonesia Stock Exchange during 2019–2023, the research applies multiple regression analysis to examine how financial and ethical dimensions interact in determining corporate value. The results show that capital structure and profitability have a negative and significant effect on firm value, while firm size does not have a significant influence. Dividend policy strengthens the relationship between capital structure and firm value but fails to moderate the effects of profitability and firm size. These findings highlight that excessive leverage and inefficient profit utilization reduce market valuation, whereas transparent dividend distribution enhances investor trust. From the Islamic perspective, these outcomes reflect the ethical principles of *ʿadl* (justice), *amānah* (trustworthiness), and *ḥikmah* (prudence) in managing financial decisions. The study contributes to the integration of ethical considerations into signaling theory and provides practical guidance for corporate managers and policymakers to design balanced financial strategies aligned with Islamic moral accountability.

Keywords: capital structure; profitability; firm value; dividend policy; Islamic ethics.

Introduction

The growing intensity of business competition in the modern era requires every company to continuously enhance its performance and implement effective strategies to achieve organizational goals. The primary objective of a company is to maximize the prosperity and well-being of its stakeholders by generating sustainable profits (Rahmawati, 2020). Firms with high market value are generally perceived positively by potential investors, as such value reflects stability, profitability, and growth potential. Consequently, a higher firm value serves as an essential

foundation for investors to allocate capital and retain their ownership, ensuring the company's long-term sustainability and growth. Fluctuations in financial performance often affect stock prices, influencing shareholder wealth and making firm value a crucial indicator for investors (Jihadi et al., 2021). Therefore, implementing prudent financial management and sound strategic policies is vital for maintaining and improving firm value.

One of the essential managerial efforts to enhance firm value and attract investor confidence is the effective utilization of financial resources. Companies generally obtain funds through debt and equity financing, and the optimal use of these funds can be analyzed through the company's capital structure. Capital structure becomes a critical aspect when used in large proportions, as excessive leverage may increase financial risk (Buchari, 2021). An optimal capital structure helps companies balance risk and return, thereby increasing profitability, enhancing firm value, and maximizing share prices. Previous studies, such as that of Arianti & Yatiningrum (2022), found that capital structure has a negative effect on firm value, implying that higher debt ratios may increase the likelihood of financial distress or even bankruptcy. Conversely, Ramdhonah et al. (2019) reported that capital structure positively affects firm value. These contrasting findings indicate that the impact of leverage on firm value remains inconclusive and context-dependent.

Another factor influencing firm value is profitability. According to Sastrawan (2016) in Rahmawati (2020), profitability plays a crucial role in evaluating a company's financial performance and serves as a benchmark for assessing corporate success. Investors generally aim to earn returns on their investments, and higher profitability is expected to increase investor confidence and share prices, ultimately enhancing firm value. Riki et al. (2022) found that profitability positively influences firm value, as higher profitability reflects the firm's ability to generate income and attract investors seeking profit-oriented opportunities. However, Khotima et al. (2020) reported a negative effect of profitability on firm value, suggesting that an increase in profitability does not always correspond with higher share prices. This may occur when rising profits are not followed by proportional growth in stock prices, leading to a decline in firm value despite improved earnings per share.

Firm size is another determinant that may influence firm value. Ulya & Sudiyatno (2023) stated that company size represents the firm's capacity and is typically measured by total sales, total assets, or the number of employees. Larger firms often have better access to financing from both internal and external sources, which may contribute to higher firm value (Indrayani et al., 2021). A large company generally signals growth and stability, increasing investor interest and, in turn, firm value. However, empirical findings on this relationship are also mixed. For example, Aldi et al. (2020) reported a positive influence of firm size on firm value, while Areta & Setijaningsih (2024) found no significant effect, suggesting that the relationship between firm size and firm value may depend on industry characteristics or market conditions.

To maximize firm value, management must also strengthen monitoring mechanisms, particularly through dividend policy. Dividend policy plays a crucial supervisory role by ensuring shareholders' welfare and aligning managerial decisions with investor interests. Through consistent dividend distribution, companies can achieve sustainable growth while maintaining investor trust and financial stability (Aldi et al., 2020). Dividend policy significantly affects various stakeholders, especially shareholders, and can serve as a financial signal of firm performance. A stable dividend policy indicates that a company has consistent cash flows and sound management practices, which can attract investors and enhance firm value. Conversely, fluctuating or declining dividends may raise investor concerns about the company's future performance. Nonetheless, empirical findings vary: while Aldi et al. (2020) confirmed that firm size positively influences firm value, Areta & Setijaningsih (2024) found otherwise, showing no moderating effect of dividend policy on the relationship between firm size and firm value.

The inconsistency of previous findings highlights the need for further research. Abdilah & Prijanto (2024) examined the effect of profitability on firm value with dividend policy as a moderating variable but limited their study to companies listed in the LQ45 Index, resulting in a restricted sample and different research context. Therefore, this study aims to extend previous research by examining capital structure and firm size as additional variables and by focusing on healthcare sector companies listed on the Indonesia Stock Exchange over five years. This approach enables a deeper

understanding of how debt-equity proportions and company size influence firm value in a sector characterized by high capital intensity and long-term investment horizons.

To explain the relationships among these variables, this study employs signaling theory, which emphasizes the importance of information disclosure, particularly through annual financial reports, as a means of communicating a company's condition to investors. Financial reports and ratios serve as fundamental tools for evaluating firm performance in the stock market. According to signaling theory, companies send signals –either positive (good news) or negative (bad news) – to the market through their financial policies and performance indicators. In the context of Islamic ethics, signaling must align with principles of justice (*al-'adl*), balance (*mīzān*), and trustworthiness (*amānah*), ensuring that financial communication reflects both transparency and moral responsibility.

Literature review

Signaling theory

The signaling theory, originally introduced by Michael Spence in 1973, explains how information asymmetry between two parties – typically the sender (the information owner) and the receiver (the information user)– can be mitigated through signals. According to Spence, the sender conveys certain observable characteristics or actions that serve as signals to communicate relevant information about their quality, condition, or performance. Once the receiver interprets these signals, they adjust their perceptions, attitudes, and actions accordingly.

In financial contexts, signals are often categorized into positive signals (good news) and negative signals (bad news). A positive signal conveys favorable information about a company's prospects, such as strong performance or sound management decisions, while a negative signal indicates potential risks or weaknesses. According to the theory, large companies tend to use debt strategically as a positive signal to investors– implying that the firm has strong financial performance and sufficient capability to bear bankruptcy risk.

However, from an Islamic economic perspective, the use of debt must be governed by the principles of prudence (*ḥikmah*), trustworthiness (*amānah*), and justice (*ʿadl*). Islam discourages

excessive debt that could lead to uncertainty (*gharar*) or jeopardize business sustainability. Instead, debt should be utilized proportionally, responsibly managed, and aligned with the values of al-ʿadl (justice) and al-mīzān (balance). A balanced and ethical use of debt thus becomes not only a healthy financial signal for investors but also a means of maintaining the firm's long-term sustainability and spiritual integrity.

The effect of capital structure on firm value

Capital structure represents the composition and balance between debt and equity financing within a company. Under favorable business conditions, the utilization of debt as part of capital can accelerate company growth– provided the firm effectively optimizes its operations to generate profits. Consequently, investors may perceive a firm with higher leverage as having greater growth potential and long-term profitability prospects, which in turn positively affects overall firm value (Wardhani et al., 2021).

Based on Signaling Theory, large firms tend to use debt as a financial tool to signal confidence to investors. A higher level of debt is interpreted as an indication that management believes in the company's ability to face bankruptcy risks and generate future earnings. In this sense, debt acts as a positive signal reflecting managerial optimism about the company's financial strength and stability.

Nevertheless, Islam emphasizes moderation and balance. While debt can serve as a positive signal, excessive reliance on it may result in *gharar* (uncertainty) and systemic financial risks. Therefore, Islamic financial ethics promote responsible leverage within the firm's capacity to ensure justice and sustainability.

Empirically, debt usage contributes to improving firm value only up to a certain threshold. Beyond this optimal point, additional debt may decrease firm value due to the rising cost of capital and financial distress risk. Excessive leverage also burdens the company with higher interest expenses, which reduce profitability and investor confidence. Conversely, lower debt ratios generally indicate stronger financial health, lower risk exposure, and better long-term stability. These factors collectively influence investor perceptions and overall firm value.

H1: Capital structure has a negative and significant effect on firm value.

The effect of profitability on firm value

Profitability measures the firm's ability to generate earnings from its available resources. High profitability not only enhances shareholder wealth through increased returns but also ensures the firm's operational continuity, employee welfare, and product quality. In other words, greater profitability leads to higher investor expectations and ultimately increases firm value.

According to signaling theory, profitability serves as a strong signal to investors. Companies disclose financial statements to communicate their financial health and superior performance relative to competitors. A firm that consistently reports high profits signals its strong future prospects, thereby attracting investor confidence. Profitability thus reflects a company's operational efficiency and asset utilization effectiveness.

Investors generally purchase shares with the expectation of earning returns. The greater the company's capacity to generate profits, the higher the expected returns for shareholders– resulting in a corresponding increase in firm value. Profitability therefore becomes not only an indicator of internal efficiency but also an external signal influencing market perceptions and stock valuation.

H2: Profitability has a positive and significant effect on firm value.

The effect of firm size on firm value

Firm size reflects the scale, operational capacity, and market presence of a company. It can be measured through indicators such as total sales, total assets, or total equity. Larger firms typically have broader access to capital markets, greater stakeholder engagement, and stronger bargaining power compared to smaller firms. As a result, decisions made by large corporations tend to have more significant public and market impact.

Within the signaling theory framework, a firm's ability to pay dividends is closely related to its capacity to generate consistent profits over time. This becomes a positive signal to investors, suggesting that the company is financially stable and capable of sustaining dividend distributions (Ayem & Maryanti, 2022). Firms that effectively manage their debt and capital structures are more

likely to experience increases in firm value and stock prices. When profits rise, dividend payouts also tend to increase, thereby attracting investors and reinforcing perceptions of financial strength and reliability.

From a theoretical perspective, larger firms are often perceived as entities with stronger growth potential. This perception triggers a positive response from investors, further enhancing firm value. Firm size, commonly measured by total assets, serves as a proxy for the firm's resource capacity to support operations, expand market presence, and attract funding both internally and externally (Safira & Widajantie, 2021). Therefore, larger firms often find it easier to secure financing and achieve higher valuation levels.

H3: Firm size has a significant positive effect on firm value.

The effect of capital structure on firm value with dividend policy as a moderating variable

Dividend policy refers to managerial decisions regarding whether profits should be distributed to shareholders as dividends or retained within the company as reinvested earnings. A higher dividend payout ratio generally signals good company performance, which positively affects stock prices and overall firm value.

According to signaling theory, dividend payments serve as a positive signal about the firm's future prospects. When companies increase dividend payouts, investors interpret this as evidence of sustainable profitability and financial health. The firm's ability to distribute dividends depends closely on its profitability level. As profits rise significantly, the firm's likelihood of distributing higher dividends also increases.

Companies that pay regular or increasing dividends demonstrate their capacity to generate consistent earnings. This attracts investor interest, strengthens market confidence, and enhances firm value. Thus, dividend policy not only moderates the relationship between capital structure and firm value but also reinforces the signaling mechanism underlying investor perceptions.

H4: Dividend policy moderates the effect of capital structure on firm value.

The effect of profitability on firm value with dividend policy as a moderating variable

Signaling theory also applies to dividend distribution decisions. When a company announces an increase in dividend payments, it sends a positive signal to shareholders about its profitability and future growth prospects. This announcement tends to attract investor attention, encouraging them to allocate more capital to the firm– thereby boosting stock prices and firm value.

Moreover, firm size interacts with this relationship. Larger firms, which typically have greater access to capital and more stable earnings, find it easier to fund operations and sustain profitability. When such firms distribute dividends, it further reinforces investor trust and positively influences firm value. Therefore, profitability combined with a consistent dividend policy provides a strong dual signal of performance and stability.

H5: Dividend policy moderates the effect of profitability on firm value.

The effect of firm size on firm value with dividend policy as a moderating variable

Firm size is an important determinant of financial flexibility and operational capacity. Larger firms generally find it easier to obtain funding for operations, leading to higher profitability. When profitability increases, companies tend to distribute more dividends, which in turn enhances firm value.

Dividend policy in this context acts as a signaling mechanism. When companies announce increased dividend payouts, investors interpret this as a positive signal of managerial confidence in sustained profitability and financial stability. Such announcements often lead to favorable market responses and an increase in stock valuation (D. V. Rahmawati et al., 2023).

Empirical findings regarding the moderating role of dividend policy are, however, mixed. Areta and Setijaningsih (2024) found that dividend policy strengthens the influence of firm size on firm value, suggesting that larger firms benefit more from dividend signaling. In contrast, D. V. Rahmawati et al. (2023) reported that dividend policy does not significantly moderate this relationship, indicating that other factors –such as industry type or macroeconomic conditions– may play a more dominant role.

Despite these differences, dividend policy remains an essential element in understanding how firm size affects investor perceptions and valuation outcomes. A consistent and transparent dividend distribution policy enhances corporate credibility, reinforces positive market expectations, and supports firm value growth over time.

H6: Dividend policy moderates the effect of firm size on firm value.

Research methods

This study applies a quantitative associative approach to examine the influence of capital structure, profitability, and firm size on firm value, with dividend policy as a moderating variable. The analysis uses secondary data in the form of panel data obtained from annual financial reports of healthcare sector companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period, which were sourced from the official IDX website (www.idx.co.id). The population consists of 34 healthcare companies consistently listed on the IDX during this period, from which eight companies were selected through purposive sampling based on the following criteria: (1) the company remained listed throughout 2019–2023, (2) did not experience losses during the observation period, and (3) published complete annual financial reports. With a five-year observation period, the total number of observations is 40 firm-years.

This study involves one dependent variable (firm value), three independent variables (capital structure, profitability, and firm size), and one moderating variable (dividend policy). The operational definitions and measurement indicators for each variable are presented in Table 1.

Table 1. Variable measurement

Variable	Definition	Indicator / Measurement	Scale
Firm Value (Y)	The price a prospective buyer is willing to pay if the company is sold.	Price to Earnings Ratio (PER) = Share Price / Earning per Share	Ratio
Capital Structure (X_1)	The comparison between total debt and total equity.	Debt to Equity Ratio (DER) = Total Debt / Total Equity	Ratio
Profitability (X_2)	The company's ability to generate profit using its resources.	Return on Equity (ROE) = Net Profit After Tax / Total Equity	Ratio

Variable	Definition	Indicator / Measurement	Scale
Firm Size (X_3)	A measure of the scale of a company.	Size = Natural Logarithm of Total Assets	Ratio
Dividend Policy (Moderation)	The company's decision to distribute profit to shareholders or retain it.	Dividend Payout Ratio (DPR) = Total Dividend / Net Profit After Tax	Ratio

Panel data regression analysis was employed using the EViews 12 software. Based on the Chow Test, the Fixed Effect Model (FEM) was selected as the most appropriate estimation method. To ensure model validity, several classical assumption tests were conducted, including multicollinearity, heteroscedasticity, and normality tests. The correlation matrix results showed that all correlation coefficients were below 0.80, indicating the absence of multicollinearity (Gujarati & Porter, 2009). The White test showed a probability value of 0.3367 (>0.05), confirming that the model is free from heteroscedasticity, while the Jarque–Bera probability value of 0.8959 (>0.05) indicated normally distributed residuals.

Hypothesis testing consisted of the coefficient of determination (R^2) to assess the explanatory power of the model, the F-test to evaluate the simultaneous effects of independent variables, and the t-test to examine the partial significance of each variable, including the moderating effects of dividend policy. These tests ensured that the empirical analysis accurately captured the relationships among capital structure, profitability, firm size, dividend policy, and firm value within the ethical context of Islamic finance.

Results and Discussion

This section presents the results of data analysis and a comprehensive discussion of the findings. The analysis was conducted using panel data regression on healthcare companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period. The study examines the effects of capital structure, profitability, and firm size on firm value, with dividend policy serving as a moderating variable. The discussion interprets these results within the framework of signaling theory and Islamic ethical principles such as *ʿadl* (justice), *amānah* (trustworthiness), and *mīzān* (balance), as well as their implications in contemporary corporate finance.

Classical assumption tests

To ensure the robustness of the model, several classical assumption tests were performed. The results indicate that the regression model satisfies the key assumptions of multicollinearity, heteroskedasticity, and normality, confirming its reliability for hypothesis testing.

Table 2. Multicollinearity test results

	PER	DER	ROE	SIZE	DPR
PER	1.000000	0.312018	-0.381252	-0.033147	0.366031
DER	0.312018	1.000000	-0.558190	-0.395602	0.375954
ROE	-0.381252	-0.558190	1.000000	0.142233	-0.235232
SIZE	-0.033147	-0.395602	0.142233	1.000000	-0.487288
DPR	0.366031	0.375954	-0.235232	-0.487288	1.000000

Source: EViews 12 Data Processing, 2025.

The correlation coefficients are all below 0.80, suggesting that the independent variables are not highly correlated. Hence, multicollinearity is not a concern in this model.

Table 3. Heteroskedasticity test (White)

Statistic	Value	Prob.
F-statistic	1.272921	Prob. F(28,11) = 0.3481
Obs*R-squared	30.56640	Prob. Chi-Square(28) = 0.3367
Scaled explained SS	22.15831	Prob. Chi-Square(28) = 0.7739

Source: EViews 12 Data Processing, 2025.

The probability value of 0.3367 > 0.05 indicates the absence of heteroskedasticity, implying homoscedastic residuals and stable variance across observations.

Table 4. Normality test results

Statistic	Value
Mean	9.27e-16
Median	0.287711
Maximum	12.71386
Minimum	-14.11592
Std. Dev.	5.847626
Skewness	-0.044968
Kurtosis	2.648211

Statistic	Value
Jarque-Bera	0.219740
Probability	0.895950

Source: EViews 12 data processing, 2025.

The Jarque–Bera probability (0.8959) exceeds 0.05, confirming that the data are normally distributed. Therefore, the model meets the classical assumptions required for reliable regression estimation.

Regression and hypothesis testing

The overall fit of the regression model and its explanatory power are summarized below.

Table 5. Coefficient of Determination (R^2) and F-Test

Statistic	Value
R-squared	0.917295
Adjusted R-squared	0.875942
F-statistic	22.18232
Prob (F-statistic)	0.000000
Durbin–Watson stat	2.638828

Source: EViews 12 data processing, 2025.

The adjusted R-squared value of 0.8759 indicates that approximately 87.5% of the variation in firm value can be explained by capital structure, profitability, firm size, and dividend policy, while 12.5% is influenced by other variables not included in the model. The F-statistic value of 22.18232, with a significance level of 0.000000 (<0.05), demonstrates that the independent variables collectively have a significant impact on firm value, confirming that the model is fit for interpretation.

Table 6. Partial test (t-Test) results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	105.4258	275.1025	0.383224	0.7047
DER	-120.4021	28.53917	-4.218838	0.0003
ROE	-130.7351	39.04603	-3.348231	0.0025
SIZE	0.094704	12.29936	0.007700	0.9939
DER_DPR	43.46491	12.35851	3.517002	0.0016
ROE_DPR	-69.75532	73.13423	-0.953798	0.3490

SIZE_DPR	-0.861988	0.783220	-1.100569	0.2812

Source: EViews 12 data processing, 2025.

Capital structure and firm value

The regression results reveal a negative and significant relationship between capital structure (DER) and firm value (t = -4.218838; p = 0.0003). This implies that an increase in leverage leads to a decline in firm value. High debt levels raise financial risk, interest expenses, and bankruptcy likelihood, ultimately eroding investor confidence.

From the signaling theory perspective, this finding challenges the assumption that debt necessarily conveys a positive signal of confidence. In this context, high leverage may instead signal financial fragility, especially within the healthcare sector, where debt servicing costs can undermine profitability.

When interpreted through Islamic ethical principles, these findings resonate with the concept of *mīzān* (balance) and *ʿadl* (justice). Islam discourages excessive debt that could endanger economic stability or violate fairness in stakeholder relations. The Qur'an (al-Baqarah/2:280) instructs believers to offer respite to debtors in hardship, emphasizing compassion and prudence in debt management. Thus, firms should avoid excessive leverage to maintain equilibrium and ethical sustainability.

Profitability and firm value

Profitability (ROE) also demonstrates a negative and significant effect on firm value (t = -3.348231; p = 0.0025). Although this result contrasts with conventional expectations, it can be explained by the behavioral dynamics of investors in the healthcare sector. High profitability may not always enhance market valuation if profits are retained rather than distributed through dividends, or if investors question the firm's long-term strategy.

According to signaling theory, profit levels are information cues for investors. However, when profitability is not accompanied by dividend distribution or transparent reinvestment plans, it may send a negative signal, suggesting managerial opportunism or uncertainty about future performance.

In the Islamic worldview, profit (*ribḥ*) must align with *amānah* (trust) and transparency. Profits derived from unethical or opaque practices lack *barakah* (blessing) and may fail to sustain long-term

value. This finding thus reinforces that firm value in an Islamic economic system extends beyond material profit—it also depends on ethical and social accountability.

Firm size and firm value

Firm size (SIZE) has no significant effect on firm value (t = 0.007700; p = 0.9939). This indicates that investors do not necessarily associate larger firms with higher value. In capital-intensive industries such as healthcare, large asset bases may not guarantee efficiency or profitability. Investors appear to focus more on performance indicators such as earnings and dividend consistency rather than mere scale.

Empirically, this finding aligns with Areta & Setijaningsih (2024) and Fiorentina & Idayati (2022), who also found firm size to be insignificant. Theoretically, it emphasizes that firm reputation and operational credibility –rather than size alone– determine market trust.

Within the Islamic ethical framework, the value of an enterprise is measured not by its magnitude but by its usefulness and fairness. Large organizations that neglect social welfare or stakeholder justice risk moral failure despite economic size.

Moderating role of dividend policy

Dividend policy plays a complex moderating role in the relationship between capital structure, profitability, firm size, and firm value.

a. ***Dividend policy moderating capital structure and firm value***

The interaction term DER_DPR is positive and significant (t = 3.517002; p = 0.0016), indicating that dividend policy effectively moderates the negative influence of capital structure on firm value. Firms with consistent dividend payments send a credible positive signal that reassures investors about their stability despite high leverage. This aligns with signaling theory, where dividends serve as a communication mechanism of confidence and transparency.

From an Islamic standpoint, this behavior exemplifies *amānah*–the moral responsibility of management to fulfill obligations to shareholders. Regular dividend distribution reflects financial justice and fosters mutual trust, in line with the Qur'anic principle of balance (*mīzān*) and shared prosperity.

b. Dividend policy moderating profitability and firm value

The interaction term ROE_DPR is negative and insignificant (t = -0.953798; p = 0.3490), suggesting that dividend policy does not moderate the relationship between profitability and firm value. This may occur when firms retain earnings to finance long-term growth rather than distribute dividends. While this may be strategically justified, investors seeking short-term returns might interpret it as a negative signal, reducing firm valuation.

Islamic ethics emphasize moderation (*wasatiyyah*)—balancing reinvestment with fair profit sharing. When retained earnings are not transparently communicated or fail to serve stakeholder welfare, they lose ethical legitimacy, weakening investor trust.

c. Dividend policy moderating firm size and firm value

Similarly, the SIZE_DPR coefficient is insignificant (t = -1.100569; p = 0.2812). Dividend policy does not moderate the relationship between firm size and value. Larger firms in the healthcare sector may prioritize reinvestment and expansion over dividend distribution, creating inconsistency in investor expectations. Fluctuating dividends may be perceived as financial instability, diminishing the firm’s reputation in capital markets.

In Islamic ethics, this inconsistency contradicts *istiqāmah* (steadfastness), a key value in business conduct. Firms are encouraged to maintain stability and transparency in dividend practices to sustain investor trust and reflect responsible stewardship (*amānah*).

The overall findings demonstrate that firm value is not solely determined by financial ratios but also by investor perceptions shaped through ethical signaling. Dividend policy emerges as a strategic communication tool that integrates financial and moral dimensions, linking corporate behavior with stakeholder confidence.

From the signaling theory viewpoint, the study confirms that information asymmetry remains a critical issue in financial markets. However, integrating Islamic ethics offers a corrective framework that encourages truthful, fair, and balanced communication. Ethical signaling –where financi Qur’an al decisions align with values of justice, prudence, and transparency– can foster sustainable investor relations and long-term value creation.

In the context of Islamic economics, these results embody the moral economy principle that wealth (*māl*) and profit (*ribḥ*) are not private entitlements but trust-based responsibilities. The Qur'an (al-Jumu'ah/62:10) encourages productive economic activity but warns against greed and imbalance. Thus, firm value in an Islamic paradigm is both a financial and spiritual outcome– a measure of *barakah* resulting from justice, honesty, and responsible governance.

Practically, these findings suggest that managers should balance capital and equity financing, maintain moderate leverage, and design dividend policies that ensure fairness to shareholders. The moderating effect of dividends indicates that transparent profit distribution can offset the negative market impact of debt and strengthen organizational reputation.

In the broader perspective of contemporary corporate finance, the study reinforces the growing relevance of ethical finance and socially responsible investing (SRI). Modern investors increasingly value not only profitability but also moral accountability and environmental stewardship. Islamic financial ethics naturally align with these global trends, providing a universal framework for sustainable corporate behavior.

The results and analysis confirm that: (1) capital structure and profitability have significant negative effects on firm value; (2) firm size has no significant impact on firm value, and (3) dividend policy moderates the effect of capital structure but not the effects of profitability or firm size.

In light of Islamic ethical principles, these findings underscore that financial decisions must uphold balance (*mīzān*), justice (ʿ*adl*), and trustworthiness (*amānah*). Firm value, therefore, reflects not only economic success but also moral credibility. Companies that manage debt prudently, communicate profits transparently, and distribute dividends fairly exemplify sustainable value creation in both financial and spiritual terms.

Conclusion

This study analyzes the effects of capital structure, profitability, and firm size on firm value, with dividend policy as a moderating variable within an Islamic ethical framework. Using panel data from healthcare companies listed on the Indonesia Stock Exchange

(2019–2023), the results show that capital structure and profitability negatively and significantly affect firm value, while firm size has no significant effect. Dividend policy moderates the relationship between capital structure and firm value but not between profitability or firm size and firm value.

These findings indicate that excessive leverage reduces firm value by increasing financial risk, and profitability does not necessarily enhance value without transparent dividend distribution. Firm size does not shape investor perception, suggesting that valuation depends more on financial prudence, operational efficiency, and ethical integrity. Dividend policy serves as a financial signal that reinforces investor confidence when leverage and management practices align with the principles of justice (*ʿadl*), balance (*mīzān*), and trustworthiness (*amānah*).

From an Islamic ethical standpoint, financial management should reflect moral accountability through prudence (*ḥikmah*) in debt, fairness in profit sharing, and transparency in dividends. The findings refine signaling theory by integrating ethical dimensions into corporate finance, showing that moral signals foster investor trust. Practically, firms –especially in capital-intensive industries– should maintain moderate leverage, transparent reporting, and consistent dividend policies to sustain firm value. Future research could extend this framework to other sectors and incorporate governance or ESG variables to enrich insights on ethical financial behavior in Islamic contexts.

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