International Journal of Education and Social Science Research

ISSN 2581-5148

Vol. 8, Issue.2, Mar-Apr 2025, page no. 71-87

To cite this article: Teguh Yuliarto, Susetyo Darmanto, Sri Suyati and Siti Aminah (2025). DIVIDEND POLICY AS A MEDIATOR IN THE INFLUENCE OF LEVERAGE, PROFITABILITY, AND COMPANY SIZE ON COMPANY VALUE, International Journal of Education and Social Science Research (IJESSR) 8 (2): 71-87 Article No. 1035, Sub Id 1627

DIVIDEND POLICY AS A MEDIATOR IN THE INFLUENCE OF LEVERAGE, PROFITABILITY, AND COMPANY SIZE ON COMPANY VALUE (Study on the Listed Manufacturing Industry of the Consumer Goods Sector) on the Indonesia Stock Exchange 2018-2022)

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DOI: https://doi.org/10.37500/IJESSR.2025.8206

ABSTRACT

This research aims to analyze the influence of leverage, profitability, and firm size on firm value, both directly and indirectly through dividend policy, in the consumer goods manufacturing sector listed on the Indonesia Stock Exchange (IDX) during the 2018-2022 period. Using a purposive sampling method, the study collected 135 observational data from companies in this sector. The analytical methods used were multiple linear regression and the Sobel test for mediation. The results show that leverage has a negative and significant effect on firm value, while profitability has a positive and significant effect. Although firm size has a positive effect, it does not show significance on firm value. Dividend policy is proven to mediate the effect of leverage and profitability on firm value, but not the effect of firm size. These findings emphasize the importance of dividend policy as a mediating mechanism in the relationship between leverage and profitability on firm value, providing new insights for financial managers and investors in the consumer goods sector in Indonesia.

KEYWORDS: Leverage, Profitability, Firm Size, Dividend Policy, Firm Value

INTRODUCTION

In the increasingly tight business competition, the company's value becomes the main indicator that reflects the welfare of shareholders and the company's success in improving its performance. The company's value is often measured through its stock price, which is influenced by various internal and external factors. (Miftahulami & Andayani, 2018). Factors such as leverage, profitability, and firm size have been widely studied as major determinants of firm value. (Azzahrah et al., 2023). However, existing studies often show inconsistent results, indicating a research gap that needs to be filled.

Leverage, which reflects the use of debt in the company's capital structure, has a significant influence on the company's value. High debt usage can increase the risk of bankruptcy, but on the other hand can also increase Return on Equity (ROE) if managed properly. (Hasanah et al., 2023). High leverage

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can reduce investor confidence because it increases financial risk, which ultimately has a negative impact on the company's market value. (Setyabudi, 2021).

Profitability, as an indicator of a company's ability to generate profits, is also an important factor in determining a company's value. Companies with high profitability tend to have better value because investors see them as companies that are able to grow sustainably. (BA Santoso & Junaeni, 2022). Good profitability also increases investor confidence in the company's performance. (Bon & Hartoko, 2022).

Company size, usually measured by total assets, is also thought to influence company value. Larger companies are often considered more stable and able to access financial resources more easily. (Jihadi et al., 2021). However, several studies have shown that the effect of company size on company value can vary depending on the industry context or other factors. (Hasanah et al., 2023).

In addition, dividend policy plays an important role as a signal to investors regarding the company's financial prospects. A consistent dividend policy can increase investor confidence and ultimately increase the company's value. (Azzahrah et al., 2023). Dividend policy is seen as a positive signal from management to the market, but the mechanism by which this policy mediates the influence of i, profitability, and company size on company value still requires further research. (Butar-Butar et al., 2021).

Relationship between Variables and Hypothesis Formulation.

The Effect of Leverage on Company Value

Leverage reflects the use of debt by the company in financing its operations. When leverage is too high, the company faces increased financial risks, such as difficulty in paying interest and principal on debt. In unstable economic conditions, high leverage can increase the possibility of bankruptcy, which in turn reduces investor confidence. Based on signalling theory, high leverage is often viewed as a negative signal by the market because investors tend to be more cautious about companies with large debts. This decrease in confidence can lead to a decrease in the company's stock price and market value.

Empirical research has shown that leverage has a negative effect on firm value. The Last Supper (2021) and Yuwono & Aurelia (2021) found that higher leverage has a negative impact on firm value, mainly due to the greater risk of default. Hasanah et al. (2023)also concluded that leverage has a significant negative effect on firm value. This shows that prudent debt management is needed to minimize the risk and negative impact of leverage on firm value. Based on this, the proposed hypothesis is:

H1: Leverage has a negative and significant effect on company value.

The Influence of Profitability on Company Value

Profitability measures how efficiently a company generates profits from its capital or assets. A high level of profitability is usually considered a positive signal for investors because it shows the company's ability to survive and thrive in the market. Investors view profitability as an indicator of the sustainability of a company's operations and ability to generate returns. Based on signalling theory, high profitability indicates that a company is able to manage its assets efficiently, which can increase investor confidence and ultimately increase stock prices and the company's value.

Empirical research supports the positive influence of profitability on firm value. Goddess & Abundanti (2020) as well as Jihadi et al. (2021) found that high profitability increases the value of the company significantly. The research Butar-Butar et al. (2021) also revealed that higher profitability increases investor confidence, which contributes to an increase in the company's market value. Strong profitability allows companies to provide greater returns to shareholders, which ultimately contributes to an increase in the company's value. Based on this, the proposed hypothesis is:

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

The Influence of Company Size on Company Value

Company size is usually measured by total assets or market capitalization, and is often considered an indicator of a company's stability and capacity to deal with risk. Larger companies tend to have more financial resources and better access to capital markets. Greater access to these resources allows companies to be more flexible in dealing with operational challenges and making strategic decisions that support growth. Based on signaling theory, large company size is often viewed by investors as a sign of stability and reliability, which ultimately increases investor confidence.

Empirical research shows that company size has a positive effect on company value. Reschiwati et al. (2020) and Jihadi et al. (2021) found that larger firms tend to have higher market values due to their ability to access capital more easily. The study Artofkh et al. (2023) also supports this view, stating that company size has a significant positive effect on company value. Higher trust from investors in large companies helps increase the demand for shares, which in turn increases the company's market value. Based on this, the proposed hypothesis is:

H3: Company size has a positive and significant effect on company value.

The Influence of Dividend Policy on Company Value

A good dividend policy can affect investors' perception of a company's value. Stable and consistent dividends are often seen as a sign that a company has strong fundamentals and is able to provide good returns to shareholders. Investors usually appreciate companies that pay regular dividends

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because dividends are seen as a sign of company stability, which can ultimately increase stock prices and company value.

Empirical research shows that dividend policy has a significant positive effect on firm value. Goddess & Abundanti (2020)found that a higher dividend policy increases firm value because it signals confidence to investors. The study Butar-Butar et al. (2021) And Azzahrah et al. (2023) also supports this finding, where a larger dividend policy contributes to an increase in the company's market value. Based on this, the proposed hypothesis is:

H4: Dividend policy has a positive and significant effect on firm value.

The Effect of Leverage on Dividend Policy

Leverage high leverage can limit the company's ability to pay dividends. When leverage increases, the company must allocate a larger portion of its profits to pay debt obligations such as interest and principal. This makes the company more careful in determining dividend policies because debt expenditures are more prioritized. Companies with high leverage tend to adopt a conservative dividend policy to maintain a balance between paying dividends and meeting debt obligations.

Empirical research supports a negative relationship between leverage and dividend policy. Pattiruhu & Paais (2020) found that low-leverage firms tend to pay higher dividends due to lower debt burdens. The Last Supper (2021) also shows that high leverage hinders the company's ability to distribute large dividends. The Last Supper (2021)conclude that leverage has a significant negative effect on dividend policy, indicating that companies with large debts are more careful in paying dividends. Based on this, the hypothesis proposed is:

H5: Leverage has a negative and significant effect on dividend policy.

The Influence of Profitability on Dividend Policy

High profitability allows companies to have more flexibility in determining dividend policy. High profits provide enough resources for companies to distribute dividends to shareholders without sacrificing the need for reinvestment or expansion. In addition, strong profitability signals to the market that the company is in a healthy financial condition, so companies feel more comfortable providing larger dividends.

Empirical research shows that profitability has a significant positive influence on dividend policy. Goddess & Abundanti (2020)And Pattiruhu & Paais (2020)found that high profitability allows companies to pay larger dividends. Butar-Butar et al. (2021)also revealed that companies with high profitability tend to have a larger dividend policy because excess profits can be allocated to dividends. Based on these findings, the proposed hypothesis is:

H6: Profitability has a positive and significant effect on dividend policy.

The Effect of Company Size on Dividend Policy

Company size plays a role in influencing dividend policy because larger companies usually have more stable resources to pay dividends. Large companies tend to have more stable cash flows, so they are able to adopt a more consistent dividend policy. With more structured operations, large companies also have more options in terms of cash management, which allows them to pay dividends more frequently than smaller companies.

Empirical research supports the positive influence of firm size on dividend policy.Mazengo & Mwaifyusi (2021)found that larger companies are more likely to pay larger dividends due to their operational stability and stronger financial capacity. The studyArtofkh et al. (2023)also shows that company size has a significant positive effect on dividend policy, where large companies are more able to pay dividends consistently. Based on these findings, the proposed hypothesis is:

H7: Company size has a positive and significant effect on dividend policy.

The Effect of Leverage on Company Value through Dividend Policy

Leveragecan affect the value of the company through dividend policy. When companies have high leverage, they may have to reduce dividend payments to meet debt obligations. However, companies that are able to manage leverage well and continue to pay dividends consistently can reduce the negative impact of leverage on the value of the company. With a wise dividend policy, the company can send a positive signal to investors, which in turn can strengthen the value of the company.

Empirical research supports that dividend policy can mediate the relationship between leverage and firm value. Research Butar-Butar et al. (2021) shows that dividend policy can mediate the impact of leverage on firm value by balancing dividend payments and debt management. The Last Supper (2021)also found that dividend policy plays a role in mediating the relationship between leverage and firm value. Based on these findings, the proposed hypothesis is:

H8: Leverage has a significant effect on firm value through dividend policy.

The Influence of Profitability on Company Value through Dividend Policy

High profitability allows companies to pay larger dividends, which in turn can increase the value of the company. Dividend policy mediates the relationship between profitability and firm value because investors often view dividends as an indicator of a company's performance. Companies that are able to pay dividends consistently show the market that they have stable finances, which has a positive impact on stock prices and firm value.

Research supports the mediating role of dividend policy in the relationship between profitability and firm value. Research Goddess & Abundanti (2020) as well as Butar-Butar et al. (2021) shows that

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dividend policy can mediate the impact of profitability on firm value by strengthening investor perceptions of the firm's financial stability. Based on these findings, the proposed hypothesis is:

H9: Profitability has a significant effect on firm value through dividend policy.

The Influence of Company Size on Company Value through Dividend Policy

Large company size provides advantages in terms of operational stability and capacity to pay dividends. Dividend policy can mediate the relationship between company size and company value because large companies that are able to pay dividends consistently will increase investor confidence. Large companies that provide dividends regularly tend to be more appreciated by investors, which ultimately increases the value of the company.

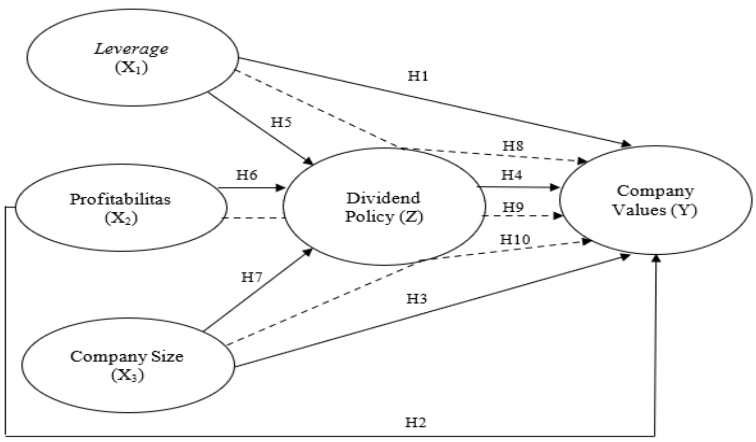
Empirical research supports that dividend policy mediates the relationship between firm size and firm value. Artofkh et al. (2023) and Hasanah et al. (2023) found that dividend policy plays an important role in mediating the positive impact of firm size on firm value. Based on these findings, the proposed hypothesis is:

H10: Company size has a significant effect on company value through dividend policy.

Research Model Development

Based on the hypothesis construction above, the development of the empirical research model can be described as follows:

Figure 1 Research Model Development



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RESEARCH METHODS

Operational Definition of Variables

Operational definitions describe the specific way researchers measure or operationalize the concept, allowing other researchers to repeat measurements in a similar manner or develop better methods for measuring the concept. (Indriantoro & Supomo, 2018). The variables in this study have more detailed operational definitions which are presented in the following table:

Table 1 Operational Definition of Variables

Variables	Definition	Measurement
Leverage(X1)	The ability of a company to meet its financial obligations when liquidated, both in the short and long term with the capital it has, or as a measuring tool that shows how much the company uses funds from debt to fund its operations.	*Leverage* in this study will be measured through the Debt to Equity Ratio with the formula: $\text{DER} = \frac{\text{Total Debt}}{\text{Total Capital}}$
Profitability (X2)	The company's ability to achieve profits is also closely related to the efficient and effective use of its own capital within a certain time frame or period, where a high ratio level indicates effective management in using the company's resources.	Profitability will be measured through the Return On Equity ratio with the formula: $\text{ROE} = \frac{\text{EAT (Net Profit)}}{\text{Total Equity}}$
Company Size (X3)	The size of a company, which is based on the total value of the company's assets as reflected in the year-end balance sheet	Company size in this study will be measured using the formula: *Size*= Ln (Total Assets)
Dividend Policy (Z)	A management strategy that determines whether the profits earned by the company will be distributed to shareholders as dividends or will be held as retained earnings for use in future investments, so that it can influence investment decisions for shareholders.	Dividend policy in this study is measured through the Dividend Payout Ratio with the following formula: $\text{DPR} = \frac{\text{Total Dividen}}{\text{Laba Bersih}}$

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Variables	Definition	Measurement
Company Value (Y)	The public's or investors' perception and assessment of a company's success and performance is reflected in the share price formed in the capital market and can be used to predict the company's success.	The company value in this study is measured through the Price to Book Value ratio with the following formula: $PBV = \frac{\text{Market price per share}}{\text{Book value per share}}$

Source: Developed for 2024 research

Population and Sample

Population is the entire research subject (Arikunto, 2019). The population used in this study is companies in the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange for the period 2018-2022, totaling 268 observation data.

By using purposive sampling technique, companies were selected that met certain criteria, such as having complete and consistent financial data during the research period. The total sample used in this study was 135 observation data from companies that met these criteria.

Method of collecting data

The data sources used are secondary data obtained through documentation of the company's annual financial reports downloaded from the official website of the Indonesia Stock Exchange (IDX) and other relevant sources. The data obtained were then analyzed using statistical methods to test the formulated hypotheses.

Data Analysis Methods

Data analysis in this study includes descriptive and panel data regression using the Eviews 12 analysis tool. Descriptive analysis provides an overview of basic statistics of the main variables. Panel data regression, with methods such as Common Effect, Fixed Effect, and Random Effect, is used to model the relationship between variables with the Chow, Hausman, and Lagrange Multiplier (LM) tests to select the best model. The classical assumption test ensures that the linear regression model is valid, including normality, multicollinearity, autocorrelation, and heteroscedasticity. Multiple linear regression analysis is used to test the effect of independent variables, with model evaluation using adjusted, and mediation test with the Sobel test method to measure indirect effects through intervening variables. R^2

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RESEARCH RESULTS AND DISCUSSION

Research result

Table 2 First Regression Model Hypothesis Test Results

Dependent Variable: Y

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.175205	11.26065	-0.459583	0.6466
X1	-0.358670	0.110555	-3.676222	0.0006
X2	0.687332	0.012290	7.106027	0.0000
X3	0.188175	0.391188	0.481035	0.6313
Z	0.336682	0.011336	3.235981	0.0015

Source: Secondary data processed, 2024.

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

With a t-value of -3.676 and a significance of 0.0006, which is greater than the t table (-3.676 > -1.978) and less than 0.05 (0.0006 < 0.05), it can be concluded that leverage has a negative and significant effect on firm value. These results can be concluded that H1 can be accepted.

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

The calculated t value is 7.106 with a significance of 0.0000, greater than the t table (7.106 > 1.978) and less than 0.05 (0.0000 < 0.05), indicating that profitability has a positive and significant effect on company value. The results can be concluded thatH2 is acceptable.

H3: Company size has a positive and significant effect on company value.

The calculated t value is 0.481 and the significance is 0.631, which is smaller than the t table (0.481 < 1.978) and greater than 0.05 (0.631 > 0.05), indicating that company size has a positive but insignificant effect on company value. These results can be concluded that H3 is rejected.

H4: Dividend policy has a positive and significant effect on firm value.

The test results show that dividend policy has a positive and significant effect on company value, with a calculated t value of 3.236 which is greater than the t table (3.236 > 1.978) and a significance value of 0.0015, less than 0.05. Thus, H4 is accepted.

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Table 3 Results of the Second Regression Model Hypothesis Test

Dependent Variable: Z

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-79.14496	71.00344	-1.114664	0.2670
X1	-0.233709	0.157231	-2.580317	0.0062
X2	0.302043	0.092057	3.108479	0.0026
X3	0.197687	0.458300	1.707548	0.0901

Source: Secondary data processed, 2024.

The output results obtained from the partial influence of leverage, profitability, and company size on dividend policy are as follows:

H5: Leverage has a negative and significant effect on dividend policy.

The calculated t value is -2.580 which is greater than the t table (-2.580 > -1.978) and the significance value is 0.006, less than 0.05. These results indicate that leverage has a negative and significant effect on dividend policy. Thus, H5 can be accepted.

H6: profitability has a positive and significant effect on dividend policy.

N The calculated t value is 3.108 which is greater than the t table (3.108 > 1.978) and the significance value is 0.0026, less than 0.05. These results indicate that profitability has a positive and significant effect on dividend policy. Thus, H6 can be accepted.

H7: Company size has a positive and significant effect on dividend policy.

The calculated t value is 1.708 which is smaller than the t table (1.708 < 1.978) and the significance value is 0.0901 which is greater than 0.05. These results indicate that company size has a positive but insignificant effect on dividend policy. Thus, H7 is rejected.

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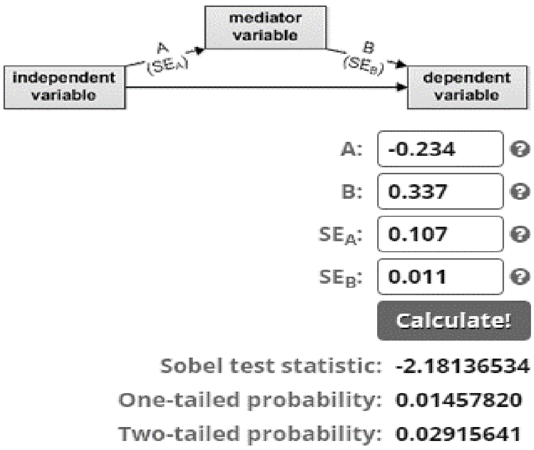
Figure 2 Sobel Test Results: The Effect of Leverage on Company Value through Dividend Policy

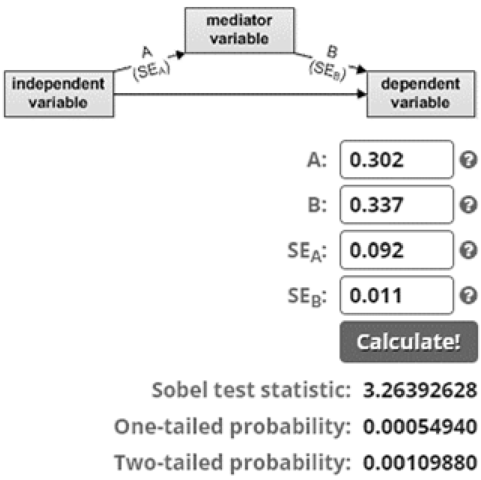


Source: Secondary data processed, 2024

H8: Leverage has a significant effect on firm value through dividend policy.

The Sobel test statistic value is -2.181 which is greater than the t table (-2.181 > -1.96) and the significance value is 0.029 which is smaller than 0.05. This shows that dividend policy significantly mediates the effect of leverage on firm value. These results can be concluded that H8 can be accepted.

Figure 3 Sobel Test Results: The Effect of Profitability on Company Value through Dividend Policy



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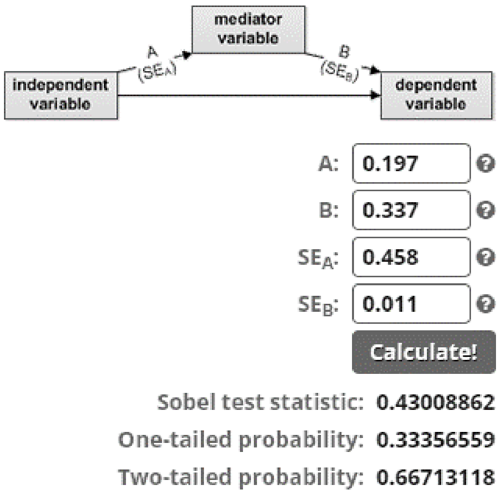
Source: Secondary data processed, 2024

H9: Profitability has a significant effect on firm value through dividend policy.

The Sobel test statistic value is 3.264 which is greater than the t table (3.264 > 1.96) and the significance value is 0.001 which is smaller than 0.05. This shows that dividend policy significantly mediates the effect of profitability on firm value. Thus, H9 can be accepted.

Figure 4 Sobel Test Results: The Effect of Company Size on Company Value through Dividend Policy



Source: Secondary data processed, 2024

H10: Company size has a significant effect on company value through dividend policy.

The Sobel test statistic value is 0.430 which is smaller than the t table (0.430 < 1.96) and the significance value is 0.667 which is greater than 0.05. This indicates that dividend policy cannot mediate the effect of company size on company value significantly, thus H10 is rejected.

DISCUSSION

1. The Effect of Leverage on Company Value.

   Leverage has a negative and significant effect on the value of the company. The lower the proportion of debt, the higher the value of the company. This shows that the market considers high debt as a financial risk, while low debt is an indication of financial stability. This result is in line with research The Last Supper (2021),Yuwono & Aurelia (2021), And Hasanah et al. (2023).

2. The Influence of Profitability on Company Value.

   Profitability has a positive and significant effect on company value. A high level of profit indicates good company quality and performance, thus increasing company value. This result is consistent with Goddess & Abundanti (2020),Butar-Butar et al. (2021), And Jihadi et al. (2021).

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3. The Influence of Company Size on Company Value.
   Company size has a positive but insignificant effect on company value. Asset size and operational capacity are not always determinants in market assessments of company value. This finding supports Bon & Hartoko (2022),The Last Supper (2022),Silvia & Dewi (2022),Hasanah et al. (2023),Santoso (2023).
4. The Influence of Dividend Policy on Company Value
   Dividend policy has a positive and significant effect on firm value. High dividends are often considered a positive signal about firm performance, increasing firm value. These results support Goddess & Abundanti (2020),Butar-Butar et al. (2021),The Last Supper (2021)And Azzahrah et al. (2023).
5. The Effect of Leverage on Dividend Policy.
   Leverage has a negative and significant effect on dividend policy. Low debt levels tend to increase dividend policy because the company has greater financial flexibility. This result is consistent with Pattiruhu & Paais (2020),The Last Supper (2021), And The Last Supper (2021).
6. The Influence of Profitability on Dividend Policy.
   Profitability has a positive and significant effect on dividend policy. The ability to generate high profits triggers an increase in dividend policy. This finding is in line with Goddess & Abundanti (2020), Pattiruhu & Paais (2020),Butar-Butar et al. (2021), And Mazengo & Mwaifyusi (2021).
7. The Effect of Company Size on Dividend Policy.
   Company size has a positive but insignificant effect on dividend policy. The size of the company does not always significantly affect dividend policy. These results support Pattiruhu & Paais (2020), Anggraini (2022),Natasha & Yusbardini (2022).
8. The Effect of Leverage on Company Value through Dividend Policy.
   Leverage has a significant effect on firm value through dividend policy. Dividend policy can mediate the effect of leverage on firm value, indicating that stable dividends can reduce investor concerns about financial risk. This result is in accordance with Butar-Butar et al. (2021)And The Last Supper (2021).
9. The Influence of Profitability on Company Value through Dividend Policy.
   Profitability has a significant effect on firm value through dividend policy. Consistent dividend policy from profitable firms increases firm value. This finding supports Goddess & Abundanti (2020),Butar-Butar et al. (2021), And The Last Supper (2021).
10. The Influence of Company Size on Company Value through Dividend Policy
    Company size has no significant effect on company value through dividend policy. Dividend policy does not mediate the effect of company size on company value. This result is in line with Princess & Anwar (2022), Rinofah et al. (2022)And Supardi et al. (2023).

CONCLUSION

Based on the analysis of the influence of leverage, profitability, company size, and dividend policy on company value, as well as the influence of leverage, profitability, and company size on dividend policy

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in consumer goods industry companies on the Indonesia Stock Exchange in 2018–2022, the following conclusions can be drawn:

1. Leverage has a negative and significant effect on the company's value. The lower the proportion of debt, the higher the company's value.

2. Profitability has a positive and significant effect on company value. The higher the profit generated, the higher the company value.

3. Company size has a positive but insignificant effect on company value. Larger asset size does not always increase company value significantly.

4. Dividend policy has a positive and significant effect on firm value. Higher dividend policy increases firm value.

5. Leverage has a negative and significant effect on dividend policy. Lower debt levels tend to increase dividend policy.

6. Profitability has a positive and significant effect on dividend policy. The ability to generate high profits encourages better dividend policy.

7. Company size has a positive but insignificant effect on dividend policy. Asset size does not have a significant effect on dividend policy.

8. Leverage significantly influence the firm value through dividend policy. Dividend policy mediates the influence of leverage, with low leverage increasing firm value through dividends.

9. Profitability has a significant effect on firm value through dividend policy. Dividend policy mediates the effect of profitability, where high profitability increases firm value through dividend policy.

10. Company size does not significantly affect company value through dividend policy. Dividend policy does not mediate the effect of company size on company value.

Future Research Agenda

To improve the quality of future research, researchers are advised to expand the sample and time period used, so that the research results can be more generalized to a wider population. In addition, it is important to conduct an in-depth analysis of the statistical assumptions underlying the regression model used, to ensure the validity of the research results.

Researchers should also consider additional factors that may influence the relationship between firm size, dividend policy, and firm value. Variables such as liquidity, revenue growth, ownership structure, corporate governance, and business risk can be added to provide more comprehensive and relevant insights into the analysis.

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