

Mediating Role of Dividend Policy on the Effect of Profitability, Company Size, and Capital Structure on the Value of Manufacturing Companies in the Indonesia Stock Exchange

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ABSTRACT

This study aims to analyze and prove (1) the effect of Profitability, company size, and capital structure partially and simultaneously on the value of Manufacturing companies on the IDX. The problem in manufacturing companies is that there is still an uneven distribution of dividends, which can affect company value. The population of this study were all manufacturing companies on the IDX using purposive sampling technique, namely sample withdrawal based on specific criteria. This type of research is quantitative descriptive research, which aims to describe or describe the properties (characteristics) of a situation or research object, carried out through quantitative data collection and analysis and statistical testing. This research test tool uses multiple linear regression models, such as the t-test and F-test. The results of this study prove that Profitability, company size, capital structure, and dividend policy simultaneously affect the value of manufacturing companies on the IDX. Partial test results prove that company size and capital structure affect the value of manufacturing companies on the IDX, while profitability and dividend policy do not affect the value of manufacturing companies on the IDX. The results of path analysis testing prove that Profitability through dividend policy affects firm value. Company size through dividend policy does not affect firm value. Capital structure through dividend policy does not affect firm value.

Keywords:

Profitability,
Company Size,
Capital Structure,
Dividend Policy
And Firm Value

INTRODUCTION

Price to Book Value: A high price will increase market confidence in the company's prospects and indicate high shareholder prosperity (Hermuningsih, 2014). To see the level of undervalued or overvalued stock prices calculated based on book value after being compared to the market price, namely using Price to Book Value. The high value of the PBV ratio will affect the share price, reflecting the company's value. Information published by the business media should be more carefully scrutinized and analyzed. Some securities companies (as publishers of market condition information) do not release complete and accurate data. Investors in Indonesia must be more careful in viewing and assessing market conditions using Indonesia Stock Exchange data. The following is the Indonesia Stock Exchange market data for 2021 - 2022.

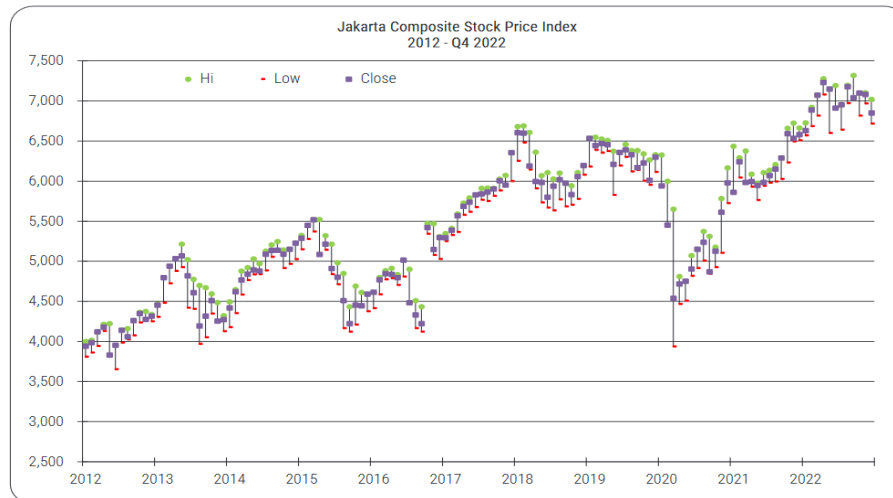


Figure 1. Indonesia Stock Exchange (Source: www.idx.co.id)

This data shows the development of market data in the Indonesian Capital Market. The data shows a fluctuating movement with a positive trend direction, but it is still unstable. This data shows the market value that investors respond to the signals generated from the company's financial statements. In this study, the factors that want to be examined to influence the company's value are dividend policy, Profitability, company size, and capital structure.

The first factor that affects firm value is Profitability, which is the level of a company's performance ability to generate profits on the management of the company's assets, its relationship with sales, total assets, and its capital. With the relationship between Profitability and firm value, namely, the higher the Profitability of the company, the higher the efficiency of the company in generating profits, which will create a higher company value and can maximize shareholder wealth. This study states the profitability ratio measured by Return on Investment (ROI). Return On Investment (ROI) is a ratio that shows the company's ability to generate net income for the return on total assets owned by the company (Sartono, 2010).

The second factor that affects firm value is firm size, which describes the size of a company, which can be seen from the total assets, total sales, average sales level, and total assets of the company. To access the capital market, larger companies quickly obtain funding first. In contrast to companies that are still new, small companies must experience many difficulties accessing the capital market. So, it can be interpreted that large companies have a level of flexibility and ability to obtain funds more easily from the capital market, as well as a more significant opportunity to win competition or survive in the industry.

The third factor affecting the company's value is the capital structure, which is the ratio between long-term debt and its own capital. For companies, the capital structure is fundamental because it is directly related to and affects the amount of risk borne by shareholders and the amount of return or the desired profit level (Brigham & Houston, 2011). Increasing the company's value can be achieved if the company's main objective has the proper capital structure. Debt to Equity Ratio (DER) shows the ratio between total debt and equity capital used to measure capital structure. DER can show the level of risk in a company. Because the more DER

increases, the higher the level of risk that may occur in the company due to the company's funding from the debt element being more significant than its capital. The use of debt in the company has the advantage of tax reduction due to the interest paid, resulting in debt-reducing taxable income.

Literatur Review

1. Signaling Theory

Signaling theory is based on the assumption that the information received by each party is not the same. This theory is related to information asymmetry, which shows information asymmetry between company management and parties interested in information. For this reason, managers need to provide information to interested parties by issuing financial reports (DesJardine, Marti, & Durand, 2021). This theory is based on the idea that management will provide information to investors or shareholders when they get good information related to the company, such as increasing company value. However, investors do not trust this information because managers are considered to have their interests/interest parties, so companies with high value will signal on the company's financial policies, which is different from companies with low value.

2. Firm Value

Firm value is the investor's perception of the company's success rate, often associated with the stock price. A high stock price also increases the company's value and market confidence not only in the company's current performance but also in the company's prospects. Maximizing company value is very important because maximizing company value also means maximizing the company's main objectives. Some ratio analyses in assessing market value include the Price Earning Ratio, Market Book Value Ratio, and Price Book Value Ratio approaches (Brigham & Houston, 2011). This study uses the Price Book Value Ratio (PBV) to indicate company value.

3. Profitability

Profitability is the company's ability to earn profits concerning sales, total assets, and own capital (Sartono, 2010). Meanwhile, Aryantini & Jumono (2021) state, "Profitability is a ratio to measure the company's ability to generate profits at a certain level of sales, assets, and share capital." According to Brigham and Houston (2011), profitability ratios show the combined effect of liquidity, asset management, and debt on operating results. Some ratios commonly used to measure Profitability include Return on Assets, Return on Equity, Return on Investment, Net Profit Margin, Gross Profit Ratio, and Operating Profit Margin. This study uses Return on Investment (ROI) as an indicator of Profitability.

4. Firm Size

One of the variables considered in determining company value is the level of sales of company size. The size of a company can be seen from the amount of assets, the amount of equity owned by the company, or a reflection of total assets, which is the meaning of company size. The larger the company, the greater the assets owned by the company and the more funds the company needs to maintain the needs of its operational activities. Management decides what funding to use for the company so that funding decisions can optimize company value, namely the influence of the value of company size. In seeing a company size, it can usually be seen from the total assets owned. Companies that are experiencing good

development and growth so that they can increase the value of a company are a reflection of the size of a large company. The company's total assets that have increased and are greater than the amount of company debt can mean that the company's value has increased (Amro & Asyik, 2021).

5. Capital Structure

According to Nenu, Vintilă, & Gherghina (2018) "capital structure is the company's long-term permanent funding represented by debt, preferred stock, common stock equity, so that the good and bad capital structure will have a direct effect on the company's financial position". According to Sutrisno (2012) states that "capital structure is the balance between foreign capital or debt and own capital". Meanwhile, according to Ambarwati (2016), "capital structure is a combination or balance between debt and equity (preferred stock and common stock) used by companies to plan for obtaining capital". The decision to choose a source of financing is the most important financial decision for the company. Based on the expert opinion above, it can be concluded that capital structure is the ratio between own capital and foreign capital. Hardiyanto, Achسانی, & Maulana (2013) explained "companies that have relatively large fixed assets will tend to use foreign capital in their capital structure". Subramanyam & Wild (2014; 271) defines "assets as assets, assets are resources controlled by a company with the aim of generating profits". Meanwhile, according to Junaedi, Priatna, & Suryana (2010) "assets are all economic resources owned by the company to carry out its business activities".

6. Dividen Policy

This study uses the dividend payout ratio to measure dividend policy. Because this ratio provides a better picture of the benefits obtained by shareholders compared to the profits obtained by the company. DPR is widely used in research as a way of estimating dividends for future periods, while most analysis estimate growth using retained earnings better than dividends (Warsono, 2013). Dividend Payout Ratio (DPR) is a ratio that looks at the part of the company's income paid to shareholders in the form of dividends, which is calculated by dividing dividends per share by income per share (Gumanti, 2013). This means that dividends are a major factor in predicting stock prices. Therefore, things being equal, an increase in dividends will be accompanied by an increase in stock prices. The higher the dividend payout ratio, the more profitable it will be for shareholders or investors, but it will weaken the company's internal finance because of the small retained earnings. Based on the theoretical description, the conceptual framework model can be described below:

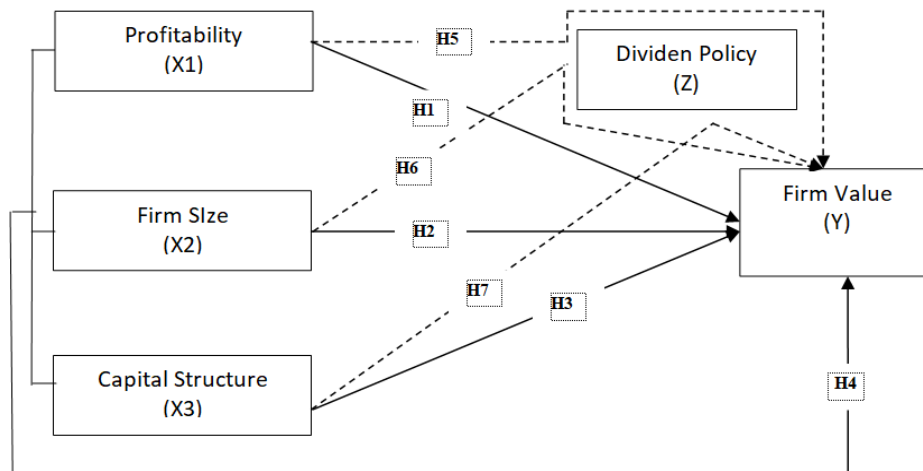


Figure 2. Conceptual Framework

Based on the conceptual framework, the following research hypothesis is made:

- H₁ : Profitability affects the value of Manufacturing companies on the IDX.
- H₂ : Company size affects the value of Manufacturing companies on the IDX.
- H₃ : Capital Structure affects the Value of Manufacturing companies on the IDX
- H₄ : Profitability, company size and capital structure simultaneously affect to the Value of Manufacturing company on the IDX
- H₅ : Profitability through Dividend Policy affects the value of the Manufacturing company on the IDX
- H₆ : Company size through Dividend Policy affects firm value Manufacturing on the IDX
- H₇ : Capital Structure through Dividend Policy affects the value of the Manufacturing company on the IDX

METHOD

This type of research is descriptive quantitative research, namely research that aims to describe or describe the properties (characteristics) of a situation or research object, which is carried out through quantitative data collection and analysis and statistical testing. The population of this study were all manufacturing companies on the IDX using purposive sampling technique, namely sample withdrawal based on certain criteria totaling 37 companies. An operational definition is a guide to how a variable is measured operationally in the field.

Table 1. Variable Operationalization

No	Variable	Definition	Indicator	Scale
1	Profitability (X1)	Ratio to assess the company's ability to seek profit.	Net Income ROE = $\frac{\text{Net Income}}{\text{Total Equity}}$	Rastio
2	Firm Size (X2)	Ratio to assess the company's ability to seek profit.	SIZE = Ln.Assets	Rastio
3	Capital Structure	The ratio of long-term debt to total equity.	Total Debt DER = $\frac{\text{Total Debt}}{\text{Total Equity}}$	Rastio

No	Variable	Definition	Indicator	Scale
	(X3)		Total Equity	
4	Dividen Poicy (Y1)	A ratio that provides a better picture of the profit earned by shareholders than the profit earned by the company.	$DPR = \frac{\text{Dividend per Share}}{\text{Earning per Share}}$	Rastio
5	Firm Value	The level of undervalued or overvalued share price calculated based on book value after being compared to market price.	$PBV = \frac{\text{Stock Price}}{\text{Book Value}}$	Rastio

Source: Processed by the author 2023

The data analysis technique used is multiple regression analysis after qualifying the classical assumption test regarding normality, heteroscedasticity, autocorrelation and multicollinearity. Conclusions on the hypothesis were drawn by means of the t test and F test at the 5% significance level. All tabulation and data management using SPSS version 22 software. First multiple regression equation:

$$Y1 = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

$$Y2 = a + b_1X_1 + b_2X_2 + b_3X_3 + Y_1 + e$$

Information:

Y1	= Dividen Policy (DPR)
Y2	= Firm Value (PBV)
a	= Constant.
b ₁ .b ₃	= Coefecient.
X ₁	= Profitability (ROE)
X ₂	= Firm size (Size)
X ₃	= Capital structure (DER)
e	= standard error

RESULT AND DISCUSSION

1. Descriptive Statistics

The following shows general statistical data from all data used, as shown in table 2 below:

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	111	-33.0	43.17	2.04	33.79
Firm size	111	.16	1.41	0.51	0.25
Capital structure	111	8.88	19.38	14.51	1.71
Dividen policy	111	-32.22	237.99	23.12	26.99
Firm value	111	.01	67.03	7.07	12.38
Valid N (listwise)	111				

Source: data processed by SPSS, 2024

The average Profitability (ROI) ratio is 2.04 with a standard deviation of 33.79. The maximum value is 43.17 and the minimum value is -33.7. It can be concluded that the data is quite varied and spread between the minimum and maximum values. The average Firm size (SIZE) is 0.51 with a standard deviation of 0.25. The

maximum value is 1.41 and the minimum value is 0.16. It can be concluded that the data is quite varied and spread between the minimum and maximum values. The average Capital structure (DER) is 14.51 with a standard deviation of 1.71. The maximum value is 14.51 and the minimum value is 8.88. It can be concluded that the data is quite varied and spread between the minimum and maximum values. The average dividend policy (DPR) is 23.12 with a standard deviation of 26.99. The maximum value is 237.99 and the minimum value is -32.22. It can be concluded that the data is quite varied and spread between the minimum and maximum values. The average Firm value (PBV) is 7.07 with a standard deviation of 12.38. The maximum value is 67.03 and the minimum value is 0.01. It can be concluded that the data is quite varied and spread between the minimum and maximum values. The number of samples is 111 obtained from 37 companies over a 3-year period (2020 - 2022).

2. Classical Assumption Testing

Analysis is done with multiple regression analysis models. Before hypothesis testing, the authors will conduct a classic assumption test. This test is carried out to determine whether the distribution of the data used in the study is normal, and free from symptoms of multicollinearity, autocorrelation and heteroscedasticity.

3. Normality Test

The data normality test is very important in parametric statistical analysis so that the regression model is free from prediction errors. The following is a test of data normality results in the form of histogram graphs and P-P Plots curves as shown in Figure 4 below:

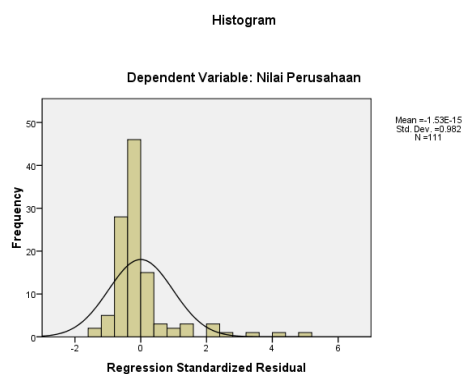


Figure 3. Histogram Graph Before Data Transformation

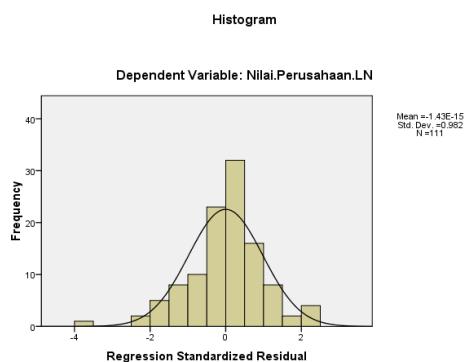


Figure 4. Histogram Graph After Data Transformation

Based on the histogram graph in Figure 3, it can be concluded that it is not normally distributed because it is not proportional so it is necessary to transform the data using natural logarithm (LN). The test results after data transformation in Figure 4 show that the data is normally distributed.

Normal P-P Plot of Regression Standardized Residual

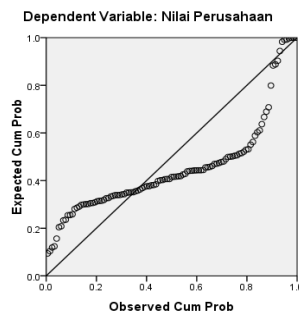


Figure 5. Kruva PP-Plots Before Data Transformation

Normal P-P Plot of Regression Standardized Residual

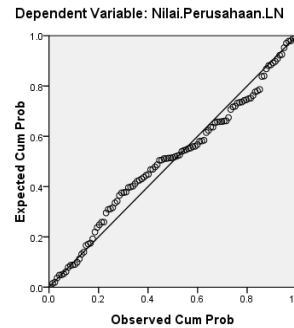


Figure 6. Kruva PP-Plots After Data Transformation

Based on the PP-Plots curve in Figure 5, it can be concluded that the curve is not normally distributed because the data spread away from the diagonal line. The test results after data transformation in Figure 6 show that the data is normally distributed. This can be seen in the normal PP-Plots curve where the points spread close to the diagonal line.

4. Multikolinearity Tesy

The results of the multicollinearity test can be seen in the following table:

Tabel 3. Multikolinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Profitability	.957	1.045
	Firm size	.971	1.030
	Capital structure	.972	1.029
	Dividen policy	.960	1.041

Source: data processed by SPSS, 2024

From the test results above, it can be seen that the tolerance numbers of all independent variables are > 0.10 and the VIF is < 10 . This indicates that there is no multicollinearity among the independent variables in the regression model in this study.

5. Heteroskedastisity

The heteroscedasticity test aims to test for differences in the residual variance of an observation period to another period. Heteroscedasticity analysis uses the scatterplot graph test. Heteroscedasticity can be done by observing certain patterns on the scatterplot graph, where if there are points that spread above and below the number 0 on the Y axis and do not form a pattern, there is no heteroscedasticity. The scatterplot graph can be seen in the following figure:

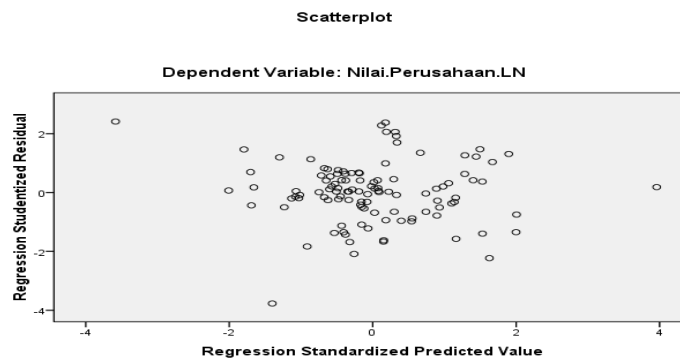


Figure 7. Heteroskedastisity Test

Source: data processed by SPSS, 2024

From the scatterplot image above, it can be seen that the points spread randomly and do not form a certain or irregular pattern. This indicates that there is no heteroscedasticity in the regression model so that the regression model is suitable for use.

6. Autokorelation

The autocorrelation test aims to test whether in a linear regression model there is a correlation between confounding errors in period t and confounding errors in period $t-1$ (previous). If there is a correlation, it is called an autocorrelation problem. Autocorrelation arises because successive observations over time are related to each other. This problem arises because the residual is not free from one observation to another. This is often found in time series data. Autocorrelation test results can be seen in table 4 below:

Table 4. Autokorelation Test

Model	Durbin-Watson
1	1.074

Source: data processed by SPSS, 2024

Based on Table 4, it shows that the Durbin-Watson value can be concluded that there is no positive or negative autocorrelation in the model used because the DW value (1.074) is between 1 and 2.

7. Hipotesys Test

Multiple linear regression analysis testing aims to determine the direction of the relationship between the independent variable and the dependent variable. The results of multiple regression testing can be seen in Table 5.

Table 5. Coefecient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.772	1.095		-2.531	.013
	Profitability	.003	.004	.072	.786	.434
	Firm size	1.064	.507	.191	2.098	.038
	Capital structure	.209	.074	.255	2.810	.006
	Dividen policy	.009	.005	.167	1.823	.071

Source: data processed by SPSS, 2024

The information displayed in the multiple regression results is a multiple regression equation between the independent variable (X) and the dependent variable (Y) which can be formulated in the form of the following equation:

$$Y = -2,772 + 0,003X_1 + 1,064X_2 + 0,209X_3 + 0,009X_4 + e$$

Based on the multiple regression equation, it can be seen that :

- The constant value of -2.772 means that if the firm value variable is not influenced by the variables of Profitability, company size, capital structure and dividend policy, the firm value is -2.772 times.
- The Beta coefficient value for the Profitability variable is 0.003, meaning that every 1% increase in the Profitability variable, the Firm value will increase by 3%, assuming other variables are considered constant.
- The Beta coefficient value for the Firm size variable is 1.064, meaning that every 1% increase in the Firm size variable, the Firm value will increase by 106.4%, assuming other variables are considered constant.
- The Beta coefficient value for the capital structure variable is 0.209, meaning that every 1% increase in the capital structure variable, the Firm value will increase by 20.9%, assuming other variables are considered constant.
- The Beta coefficient value for the Dividen policy variable is 0.009, meaning that every 1% increase in the Dividen policy variable will increase Firm value by 9%, assuming other variables are considered constant.

7. The Effect Profitability on Firm value

Based on Table 5, the results of testing the hypothesis of the effect of Profitability on Firm value, the t-count value (0.786) is smaller than the t-table (1.999) with a significance of 0.434 (Sig.> 0.05), so H₀ is accepted and H_a is rejected. This means that Profitability has no significant effect on Firm value of Manufacturing on the IDX.

8. The Effect Firm size on Firm value

Based on Table 5, the results of testing the hypothesis of the effect of Firm size on Firm value, the t-count value (2.098) is greater than the t-table (1.999) with a significance of 0.038 (Sig.<0.05), so H₀ is rejected and H_a is accepted. This means that Firm size has a significant effect on Firm value Manufacturing on the IDX.

9. The Effect Capital structure on Firm value

Based on Table 5, the results of testing the hypothesis of the effect of Capital structure on Firm value, the t-count value (2.810) is greater than the t-table (1.999) with a significance of 0.006 (Sig.<0.05), so H₀ is rejected and H_a is accepted. This means that Capital structure has a significant effect on Firm value of Manufacturing on the IDX.

10. The Effect Dividen policy on Firm value

Based on Table 5, the results of testing the hypothesis of the effect of Dividen policy on Firm value, the t-count value (1.823) is smaller than the t-table (1.999) with a significance of 0.071 (Sig.> 0.05), so H₀ is accepted and H_a is rejected. This means that the Dividen policy has no significant effect on the Firm value of Manufacturing on the IDX.

11. Mediating of Dividen policy the Effect Profitability on Firm value

The effect of Profitability through Dividen policy on Firm value is explained in the following path diagram table:

Table 6. Comparison of Direct and Indirect Effects

Variable	Coefecient	Direct Effect	Indeirect Effect
X1	0.003	0.072	0,160

Source: data processed by SPSS, 2024

Based on Table 6, it is known that the indirect effect value (0.160) is greater than the direct effect, which is 0.072, so H_0 is rejected and H_a is accepted. This means that Profitability through Dividen policy affects Firm value.

12. Mediating of Dividen policy the Firm size on Firm value

The effect of Firm size through Dividen policy on Firm value is explained in the following path diagram table:

Table 7. Comparison of Direct and Indirect Effects

Variable	Coefecient	Direct Effect	Indeirect Effect
X1	1.064	0.191	-0,125

Source: data processed by SPSS, 2024

Based on Table 7, it is known that the indirect effect value (-0.125) is smaller than the direct effect of 0.191, so H_0 is accepted and H_a is rejected. This means that Firm size through Dividen policy has no effect on Firm value.

13. Mediating of Dividen policy the Capital structure on Firm value

The effect of Capital structure through Dividen policy on Firm value is explained in the following path diagram table:

Table 8. Comparison of Direct and Indirect Effects

Variable	Coefecient	Direct Effect	Indeirect Effect
X1	0.209	0.167	0.011

Source: data processed by SPSS, 2024

Based on Table 8, it is known that the value of indirect effect (0.011) is smaller than the direct effect of 0.167, so H_0 is accepted and H_a is rejected. This means that Capital structure through Dividen policy has no effect on Firm value.

14. Simultant Test

The results of the F statistical test (simultaneous test) on Leadership and Organizational Culture on Intuition can be seen in Table 9.

Table 9. F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.025	4	8.006	4.656	.002 ^a
	Residual	182.293	106	1.720		
	Total	214.318	110			

Source: data processed by SPSS, 2024

Based on the results of testing the hypothesis of the simultaneous influence of Profitability, Firm size, Capital structure and Dividen policy on Firm value, the value of Fcount (4.656) is greater than the t-table (3.15) with a significance of 0.002 (Sig.<0.05) then H_0 is rejected and H_a is accepted. This means that Profitability, Firm size, Capital structure and Dividen policy simultaneously affect Firm value.

15. Coefecient

Statistical test of the coefficient of determination in this study the aim is to determine how far the model's ability to explain the variation in the dependent variable. The statistical test of the coefficient of determination can be seen in Table 10 below:

Tabel 10. Coefecient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.387 ^a	.149	.117	1.31139

Source: data processed by SPSS, 2024

Table 10 shows that the R Square value is 0.149 or 14.9%, which means that the percentage of the influence of the independent variables (Profitability, Firm size, Capital structure and Dividend policy) on Firm value is equal to the coefficient of determination or 14.9%. While the remaining 85.1% is influenced or explained by other variables not included in this research model.

Discussion

Partial test results prove that Profitability has no effect on firm value manufacturing on the IDX. Profitability in this study is measured using Return on Investment (ROI) by comparing profit after tax with total assets. The positive direction of the relationship means that the greater the Profitability, the greater the firm value obtained. The research results that prove there is no influence are caused by the company having a Profitability that is not high enough so that the company has not been able to improve its performance which does not cause signals to investors in investing in firm value. The company should be able to increase Profitability every year, it will attract many investors. Investors will trust companies that are able to generate large profits because the return obtained is low, so this is a negative signal for investors from the company. This situation will be used by company managers to obtain capital resources in the form of shares. The results of this study are not in line with research conducted Jonnius & Setya Marsudi (2021) which is able to prove that Profitability individually has a significant positive effect on firm value, and the hypothesis is accepted. The positive effect of firm value is a good prospect for companies to attract investors, because Profitability is the most important indicator for a company, where the higher the ratio, the higher the profit the company has.

Partial test results prove that firm size has an effect on the effect on firm value manufacturing on the IDX. The firm size variable in this study is measured using the Size formula by logging the total assets of the company. Size or firm size variable which has a significant positive effect on firm value in manufacturing companies on the IDX for the 2020-2022 period. The firm size variable is often used to determine the level of the company's ability to meet operational costs, because the larger the firm size, the greater the company's operational costs for financing the maintenance of assets owned by the company. Firm size also indicates that the assets owned by the company are increasing.

Partial test results prove that the capital structure affects the effect on the manufacturing firm value on the IDX. Capital structure can be used by potential investors as a basis for investing in the company because this variable describes own capital, total debt and total assets where all three are used by them to see the level of risk, return and revenue that will be received by the company. The level of risk, return and revenue of the company can affect the high and low demand for shares which will also affect firm value (Margono & Gantino, 2021). Using debt in capital structure has many advantages. Exchange Theory explains that the use of debt causes more of the company's operating profits to be received by the investor market. Therefore, the more a company uses debt, the higher the value and price of its shares (Sunardi, Husain, & Kadim, 2020). Trade-off theory explains that if the capital structure position is below the optimal point, each additional debt will increase firm value. conversely, if the capital structure position is above the optimal point, each additional debt will reduce firm value. Therefore, assuming that the optimal capital structure target has not been achieved, based on trade-off theory, it predicts a positive relationship to firm value (Glover & Hambusch, 2014). In research, Khanh, Hung, Van, & Huyen (2020) stated that capital structure has a positive effect on firm value. So a hypothesis can be formulated regarding capital structure on firm value as follows: H1: Capital structure has a positive effect on firm value.

Partial test results prove that the Dividen policy has no effect on manufacturing firm value on the IDX. Dividend distribution is largely influenced by the behavior of investors who generally prefer high dividend distributions, resulting in low retained earnings (Baker & Weigand, 2015). In conditions of unbalanced information (Asymmetric Information), managers can use strategies in dividend policy to ward off issues that companies do not expect in the future (Fairchild, 2010; Baker & Powell, 2012; Baker & Kapoor, 2015). By distributing high dividends to shareholders, it is hoped that firm value will also increase (Iturriaga & Crisóstomo, 2010). On the other hand, the company does not want high dividend distribution to shareholders. This is because, the higher the amount of dividends that will be distributed to shareholders, the lower the funds under management.

CONCLUSION

Partial test results prove that firm size and capital structure have an influence on manufacturing firm value on the BEI, while Profitability and dividend policy have no effect on manufacturing firm value on the BEI. The results of path analysis testing prove that Profitability through dividend policy has an effect on firm value. Firm size through dividend policy has no effect on firm value. Capital structure through dividend policy has no effect on firm value. The implications of the results of this research are able to explain that company value can be influenced by Profitability, capital structure and company size. These results can be a reference for investors when investing in the capital market.

Recommendation

Based on the conclusions drawn from the research findings, several recommendations can be made. Firstly, investors should focus on Profitability, company size, and capital structure when conducting investment analysis. While dividends may not directly impact firm value, the relationship between Profitability

and capital structure through dividend policies can significantly influence company valuation. Second, a holistic approach to evaluating firm value is essential. This involves considering not only traditional factors such as earnings and company size but also examining the impact of capital structure and dividend policies. Thirdly, portfolio diversification is crucial. Understanding that firm value is influenced by factors such as Profitability, company size, and capital structure, investors can plan their portfolio diversification strategy to mitigate risks associated with fluctuations in firm value. Additionally, further research is warranted to better understand the relationship between dividends and firm value, particularly through Profitability and capital structure. Such research can provide deeper insights into how dividend policies can affect overall company valuation. Lastly, investors need to be aware of the varying implications of factors such as Profitability, company size, and capital structure on investment risk and return. Therefore, it is essential to consider individual risk profiles and investment objectives when making investment decisions in the capital market. By adhering to these recommendations, investors can make more informed investment decisions, thereby maximizing their returns while managing risks effectively.

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