

The Effect of Profitability and Leverage on Firm Value with Dividend Policy as an Intervening Variable in Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2021–2024

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Abstract: This research aims to determine how profitability and leverage affect firm value with dividend policy as an intervening variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2021-2024 period. Firm value is a crucial indicator for assessing business performance and sustainability, while profitability and leverage are key factors that can influence investment decisions and profit distribution. Dividend policy, in itself, acts as a signal to investors regarding the company's financial condition. This study uses the multiple linear regression method with data obtained through the companies' annual reports on the IDX. Profitability is measured using Return On Assets (ROA), Leverage is measured by the Debt to Equity Ratio (DER), Firm Value is measured by the Price to Book Value (PBV), and Dividend Policy is measured by the Dividend Payout Ratio (DPR). The results of this study indicate that profitability and leverage have a significant effect on firm value. However, leverage does not have a significant effect on dividend policy, and dividend policy cannot mediate the leverage variable's effect on firm value.

Keywords: profitability, leverage, dividend policy, indonesia stock exchange.

INTRODUCTION

The economy today has reached a stage of intense industrial competition, driving companies to continuously enhance their performance to achieve their objectives. One of the primary goals of a company is to manage and develop its firm value effectively. Firm value represents the overall worth of a company, where superior performance can increase stock prices and attract potential investors. It serves as an essential indicator reflecting a company's performance and sustainability. In the context of companies listed on the Indonesia Stock Exchange, firm value is often measured through stock prices and market capitalization. Various factors such as profitability, leverage, and dividend policy significantly influence firm value.

Profitability refers to a company's ability to generate profits within a specific period. It is commonly measured using profitability ratios, which assess how efficiently a company converts revenues into profits. Higher profitability indicates better performance and can lead to increased firm value. Meanwhile, leverage reflects the company's ability to meet its financial obligations using its own capital. Although leverage may provide advantages such as tax benefits and enhanced shareholder returns, it also increases financial risk. The optimal capital structure can impact firm value, but the effects of leverage may vary depending on market conditions and company characteristics. Dividend policy, on the other hand, involves a company's decision on whether to distribute profits to shareholders or retain them for future investment. Since changes in dividend policy can alter investor perceptions, it often acts as an intervening variable that mediates the relationship between profitability, leverage, and firm value.

Firm value, which is reflected in stock prices and investor confidence, serves as a key measure of a company's success in enhancing shareholder wealth. A high firm value demonstrates good financial performance, strong investor trust, and overall company success. As highlighted by Abrori (2021), firm value reflects a company's performance, directly affecting investor perceptions and stock prices. Therefore, a company's shares serve as a tangible representation of its overall value and performance in the market.

During the 2021–2024 period, Indonesia's manufacturing industry has undergone significant dynamics influenced by post-pandemic recovery and government policy changes. While several companies recorded strong profits, others faced substantial losses due to challenges such as supply chain disruptions, fluctuating raw material prices, and declining market demand. For instance, Prasadha Aneka Niaga Tbk suffered losses of Rp 82.4 million in 2021 and Rp 25.8 million in 2022, while PT Indofarma Tbk reported losses of Rp 37.5 million in 2021 and Rp 421.9 million in 2022. In contrast, PT Indofood CBP Sukses Makmur Tbk achieved profits of Rp 6.40 trillion in 2021 and Rp 4.59 trillion in 2022. These examples highlight the importance of profitability as a crucial performance indicator, since profitable companies tend to possess higher firm values due to their capacity to deliver returns to shareholders.

Effective financial management and governance play a vital role in addressing these challenges. Companies must adopt sound financial practices such as cash flow management, cost control, and strategic planning to maintain business sustainability. In today's rapidly changing environment, leveraging technology to enhance operational efficiency and streamline production processes is essential. Advanced information systems and digital management tools can help companies optimize performance and adapt to market changes swiftly. This research aligns with prior studies, such as Ramadhani et al. (2018), who examined the influence of leverage and profitability on firm value with dividend policy as an intervening variable, and Rivandi & Petra (2022), who analyzed similar factors in the food and beverage sub-sector. Ultimately, this study aims to deepen the understanding of factors influencing firm value and offer practical insights for decision-making in Indonesia's manufacturing sector, which contributes approximately 20% to the national GDP (BPS, 2023).

THEORETICAL REVIEW

Profitability

Profitability is an indicator of a management's ability to get a company's income in the form of profits and is generated from the company itself (Muhammad Rivandi & Berta Agus Petra, 2022). Profitability can also be seen through the ability of the capital invested by the company as a whole of the amount of assets to obtain a return on assets. High profitability will signal that the company's prospects are getting better, so it can encourage investors to increase demand for stocks and cause stock prices to increase. Profitability can assess the productivity of the company through all funds used, both loan capital and own capital. Before deciding to invest, a potential investor needs to look at return on equity (ROE) a company to be able to find out how much will be generated from the investment. The higher the ROE indicates that the higher the rate of return on investment made and the lower the ROE of a company, the lower the rate of return (Setyabudi, 2022).

Leverage

According to (Santi, K. K., & Sudarsi, 2024) Leverage is the ability of a company to pay off current debt or long-term debt or the ratio used to assess the extent to which the company is financed using debt. Ratio leverage It uses the use of debt by the company to carry out the company's operational activities. Knowing the magnitude of the influence of debt on the amount of company assets is considered important for investors. Leverage It is considered to have a level of profit if the company is able to use equity as a source of funds instead of using debt, so that it affects the value of the company because it will show the small financial risk borne by the company.

Company Values

The value of the company is an important indicator and a determining factor for the confidence of potential investors in the company (Dela Aulan, Mondra Neldi, 2024). Measuring company performance is one of the factors that investors need to consider in assessing a company and its investment decisions. Potential investors tend to be more interested in investing in stocks of companies that show good performance. The value of a company can be measured by using ratios Price to Book Value (PBV). The higher the value of a company, it shows that the company's management performance is also better and better which can generate large and promising profits from year to year.

Dividend Policy

A dividend policy refers to a company's decision on how much profit is distributed to shareholders as dividends, as well as how much will be retained in the company for reinvestment or other financial purposes (Scott, 2024). This policy varies between companies and is influenced by various factors such as profit stability, investment needs, liquidity, and shareholder preferences. Previous research on dividend policy has examined the influence of dividend policy on company value, investor perception, and financial performance. According to (Atmikasari, 2020) Dividends are the portion of the operating profit that a company earns to its shareholders in exchange for their willingness to invest their assets in the company.

METHODS

The research employs a quantitative method, which emphasizes the collection and analysis of numerical data. Quantitative research focuses on objectivity, measurement, and statistical analysis to examine relationships among variables and to understand phenomena through empirical evidence. In this study, the variables analyzed include Profitability, Leverage, Firm Value, and Dividend Policy. The main purpose of this method is to identify and measure the strength of relationships among these variables and to generate generalizable findings that can explain how profitability and leverage influence firm value, with dividend policy acting as an intervening variable.

The object of this research is the effect of profitability and leverage on firm value with dividend policy as an intervening variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2024. The data used in this study are obtained from the annual financial statements of these companies, which are publicly available and accessible through the official IDX website at <https://www.idx.co.id/id>. The study population consists of 228 manufacturing companies listed on the IDX during the 2021–2024 period. The sampling method used is purposive sampling, which selects samples based on specific criteria aligned with the research objectives (Sugiyono, 2020). After applying the selection criteria such as completeness of financial reports, consistency in dividend distribution, use of the Rupiah currency, and positive profitability the final sample consists of 40 companies over four years, resulting in 160 total observations.

RESULTS

Descriptive Statistical Analysis

This descriptive statistical measurement shows the average value of each standard deviation (mean) variable, minimum value, and maximum value.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1_ROA	160	1.00%	36.36%	10.98%	7.32%
X2_DER	160	5.64%	246.50%	54.17%	44.93%
Y_PBV	160	0.32	7.48	1.90	1.40
Z_DPR	160	7.54%	169.90%	53.83%	35.95%
Valid N (listwise)	160				

The descriptive results of the above statistics can be seen that:

1. Profitability (X1_ROA) of an independent variable using the Return On Asset (ROA) ratio shows the smallest ROA in Semen Indonesia company which is 1.00% in 2024, the largest value in Mark Dynamics Indonesia company ROA is 36.36% in 2021, and the average obtained is 10.98%, with a standard deviation of 7.32%.
2. Leverage (X2_DER) of an independent variable using the Debt to Equity Ratio (DER) shows the smallest DER in the company Impack Pratama Industri Tbk which is 5.64%

in 2023, the largest value of the DER in the company Tunas Baru Lampung Tbk which is 246.50% in 2022, and the average obtained is 54.17%, with a standard deviation of 44.93%.

3. Company Value (Y_PBV) which is a dependent variable using the Price to Book Value (PBV) ratio. It shows the smallest PBV in the company Supreme Cable Manufaktur & Commerce which is 0.32 in 2022, the largest PBV value in the Herbal and Pharmaceutical Industry company Sido which is 7.48 in 2021, and the average obtained is 1.90 with a standard deviation of 1.40.
4. Dividend Policy (Z_DPR) which is the intervening variable uses the Dividend Payout Ratio (DPR) ratio. It shows the smallest DPR in the Sekar Laut company which is 7.54% in 2021, the largest value in the company Campina Ice Cream Industry Tbk which is 169.90% in 2022, and the average obtained is 53.83%, with a standard deviation of 35.95%.

Normality Test

In this test, data transformation is used because there is extreme data in the results of variable calculations, data transformation is changing the measurement scale of the original data to another form so that the data can meet the assumption so that the data is distributed normally (Ghozali, 2021).

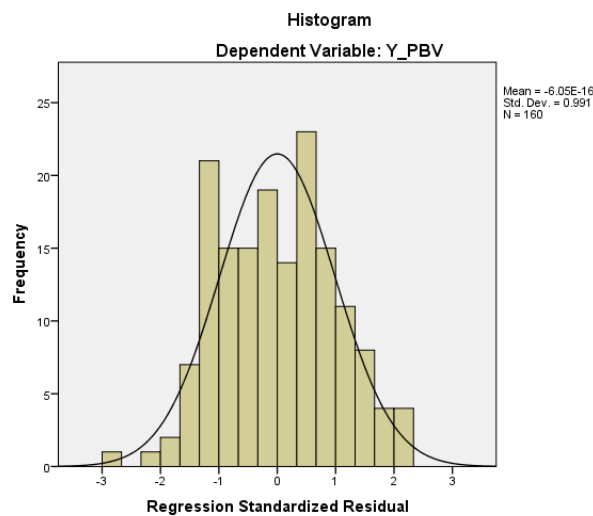


Figure 1. Data Transformation Histogram Normality Test

The Histogram graph shows that the real data forms a curve line tends to be symmetrical (U) does not deviate to the left or to the right, so it can be said that the data is normally distributed.

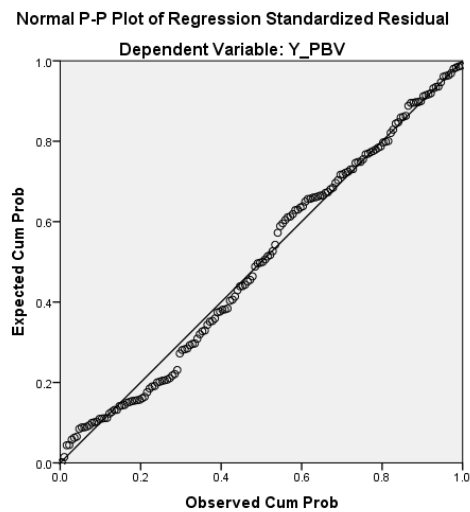


Figure 2. Normal Normality Test P-P Plot

Figure 2 Based on the Normal P-P Plot, it can be seen that the data follow or approach the diagonal line so that it can be concluded that the data in the regression model is normally distributed. The Kolmogorov-Smirnov (K-S) test, which can be seen in Table 2, is as follows:

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
Unstandardized Residual		
N		160
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,22231740
	Most Extreme Differences	
	Absolute	,068
	Positive	,068
	Negative	-,050
Kolmogorov-Smirnov Z		,866
Asymp. Sig. (2-tailed)		,441
a. Test distribution is Normal.		
b. Calculated from data.		

Table 2 shows that the Kolmogorov-Smirnov value is 0.441 > 0.05. From the Kolmogorov-Smirnov test, it can be concluded that the data is normally distributed.

Multicollinearity Test

The results of the multicollinearity test can be seen through table 3 as follows:

Table 3. Multicollinearity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Itse lf.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	BRIG HT
1 (Constant)	-1,396	0,146		-9,562	,000		

X1_ROA	0,790	0,068	0,666	11,626	,000	0,851	1,175
X2_DER	0,200	0,050	0,219	3,974	,000	0,920	1,087
Z_DPR	0,294	0,064	0,256	4,626	,000	0,911	1,098

a. Dependent Variable: Company Value

From the tolerance result for the Profitability variable, it was $0.851 > 0.1$; the Leverage variable was $0.920 > 0.1$; the Dividend Policy variable was $0.911 > 0.1$. Meanwhile, the VIF result for the Profitability variable was obtained at $1.175 < 10$, the Leverage variable was obtained at $1.087 < 10$; the Dividend Policy variable was obtained at $1.098 < 10$. From the above results, each variable obtained a tolerance > 0.1 and VIF < 10 results that there was no multicollinearity in this study.

Multiple Linear Regression

Multiple linear regression analysis is one of the statistical methods used to identify the relationship between one dependent variable and two or more independent variables.

Table 4. Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Itself.
	B	Std. Error	Beta		
1 (Constant)	-0,985	0,123		-7,999	,000
X1_ROA	0,877	0,069	0,740	12,636	,000
X2_DER	0,192	0,054	0,210	3,587	,000

a. Dependent Variable: Y_PBV

The regression equations used in this study are:

$$\text{Company Value} = (-0.985) + 0.877 \text{ Profitability} + 0.192 \text{ Leverage}$$

The regression equation can be interpreted as:

1. A coefficient value of -0.985 means that profitability and leverage do not increase or are of constant value, then the value of the company will be worth -0.985.
2. The profitability variable has a coefficient of 0.887 which indicates that if there is an increase in profitability per unit, the value of the company is expected to increase by 0.877 units, assuming the leverage remains constant. This positive coefficient indicates a positive relationship between profitability and company value.
3. The leverage variable has a coefficient of 0.192 which indicates that if there is an increase in the leverage of each unit, the value of the company is expected to increase by 0.192 units, with other variables considered fixed. This positive coefficient also shows that leverage also has a positive influence on the value of the company.

Table 5. Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Itself.
	B	Std. Error	Beta		
1 (Constant)	1,399	0,145		9,617	,000
X1_ROA	0,296	0,082	0,286	3,609	,000
X2_DER	-0,028	0,063	-0,035	-0,444	,658

a. Dependent Variable: Z_DPR

The regression equations used in this study are:

$$\text{Dividend Policy} = (1.399) + 0.296 \text{ Profitability} + -0.028 \text{ Leverage}$$

The regression equation can be interpreted as:

1. The value of this coefficient of 1.399 is the average value of the dividend policy when profitability and leverage are zero (0). This positive value indicates that in the absence of the influence of profitability and leverage, the value of the dividend policy tends to be positive.
2. The profitability variable has a regression coefficient of 0.296 which shows that if there is a single increase in the profitability variable, it can increase the dividend policy by 0.296 and other variables are considered fixed. This coefficient shows a positive relationship between profitability and dividend policy.
3. The leverage variable for every one unit increase in leverage, the dividend policy is expected to decrease by -0.028 units, with the other variables considered constant. This negative coefficient indicates a negative relationship between leverage and dividend policy.

Table 6. Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Itself.
	B	Std. Error	Beta		
1 (Constant)	-1,396	,146		-9,562	,000
X1_ROA	,790	,068	,666	11,626	,000
X2_DER	,200	,050	,219	3,974	,000
Z_DPR	,294	,064	,256	4,626	,000

a. Dependent Variable: Y_PBV

The regression equations used in this study are:

$$\text{Company Value} = (-1.396) + 0.790 \text{ Profitability} + 0.200 \text{ Leverage} + 0.294 \text{ Dividend Policy}$$

The regression equation can be interpreted as:

1. A coefficient value of -1.396 means that profitability, leverage and dividend policy have not increased or are of constant value, then the company's value will be worth -1.396.
2. The profitability variable has a coefficient value of 0.790 this indicates that for every increase in profitability, the value of the company is expected to increase by 0.790 units, assuming the other variables remain constant. This positive coefficient indicates a strong positive relationship between profitability and company value.
3. The leverage variable has a coefficient value of 0.200, this indicates that for every increase in leverage, the company's value is expected to increase by 0.200 units, assuming the other variables remain constant. This positive coefficient also shows a positive relationship between leverage and the value of the company.
4. The Dividend Policy variable has a coefficient value of 0.294, this shows that every increase in the dividend policy, the company's value is expected to increase by 0.294

units, assuming the other variables remain constant. This positive coefficient also shows a positive relationship between dividend policy and company value.

Coefficient of Determination

The results of the determination coefficient test were:

Table 7. Coefficient of Determination

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.751 ^a	.564	.556	.22444
a. Predictors: (Constant), Z_DPR, X2_DER, X1_ROA				
b. Dependent Variable: Y_PBV				

Table 6. above obtained an Adjusted R Square value of 0.556 or 55.6% that the company's value can be explained by changes in dividend policy variables, profitability, leverage and the remaining 44.4% is influenced by other variables that are not calculated in this study.

Sobel Test

Based on this data using the existing test sobel formula, the results obtained are as follows:

Table 8. Test Sobel Calculation Results

Company Values	Test Statistic	P-Value	Conclusion
a	0,296	-0,442	Not
b	0,294		Significant
His	0,082		Effect (H7
Sb	0,064		Rejected)

Based on the results of data management that has been carried out, the researcher shows that:

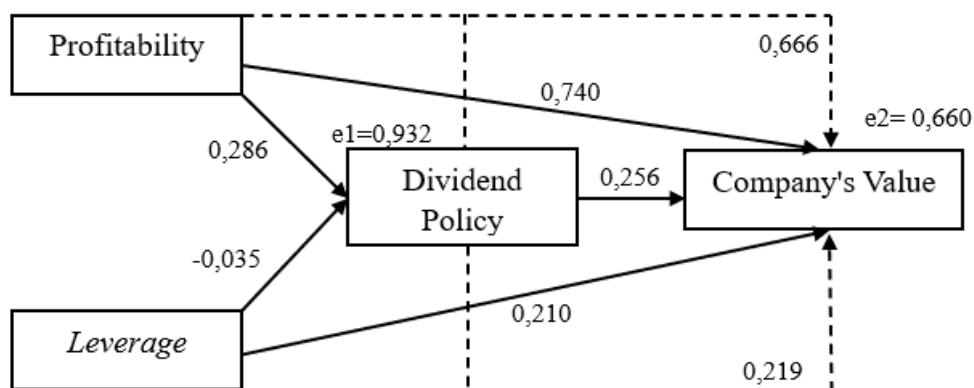


Figure 3. Path Analysis

Based on Figure 3 of the path analysis, the results can be interpreted as follows. The direct effect of profitability on firm value is 0.740, while the effect of profitability on dividend policy is 0.286, and the effect of dividend policy on firm value is 0.256. Thus, the indirect effect of profitability on firm value through dividend policy is calculated as $0.286 \times 0.256 = 0.073$. These results indicate that the indirect influence of profitability on firm value through dividend policy (0.073) is positive and consistent with the direct effect. Since both the direct and indirect effects are significant, it can be concluded that dividend policy mediates the relationship between profitability and firm value, meaning hypothesis H6 is accepted.

Meanwhile, the direct effect of leverage on firm value is 0.210, while the effect of leverage on dividend policy is -0.035 , and the effect of dividend policy on firm value remains 0.256. The indirect effect of leverage on firm value through dividend policy is $-0.035 \times 0.256 = -0.008$. The calculation results show that the mediating effect of dividend policy is negative (-0.008) and relatively small compared to the direct effect. Therefore, it can be concluded that dividend policy does not mediate the relationship between leverage and firm value.

Partial Hypothesis Test (t-test)

The results of the partial test were:

Table 9. Partial Test Results (t-test)

	Hipotesis	Stuttgart	itself
1	Profitability -> Company Value	12.636	.000
2	Leverage -> Company Value	3.587	.000
3	Profitability -> Dividend Policy	3.609	.000
4	Leverage -> Dividend Policy	-0.444	.658
5	Dividend Policy-> Company Value	4.626	.000
6	Profitability -> Company Value Dividend Policy	11.626	.000
7	Leverage -> Company Value Dividend Policy	3.974	.000

The results of the partial statistical tests show that profitability has a positive and significant effect on firm value with a tcal value of $12.636 > t_{table} 1.654$ and a significance value of $0.00 < 0.05$, indicating that H1 is accepted. Leverage also has a positive and significant effect on firm value with a tcal value of $3.587 > t_{table} 1.654$ and a significance value of $0.00 < 0.05$, so H2 is accepted. Profitability has a positive and significant effect on dividend policy with a tcal value of $3.609 > t_{table} 1.654$ and a significance value of $0.00 < 0.05$, meaning H3 is accepted. However, leverage does not have a positive and significant effect on dividend policy with a tcal value of $-0.444 < t_{table} 1.654$ and a significance value of $0.658 > 0.05$, thus H4 is rejected. Dividend policy has a positive and significant effect on firm value with a tcal value of $4.626 > t_{table} 1.654$ and a significance value of $0.00 < 0.05$, indicating H5 is accepted. Dividend policy can partially mediate the effect of profitability on firm value, with a tcal value of $11.626 > t_{table} 1.654$, a significance value of $0.00 < 0.05$, and an indirect effect coefficient of 0.073

in the same direction as the direct effect of 0.740, meaning H6 is accepted. Meanwhile, dividend policy cannot mediate the effect of leverage on firm value, as the indirect effect coefficient of -0.008 is very small and opposite in direction to the direct effect of 0.219, even though the tcal value (3.974) > ttable (1.654) and the significance value (0.00 < 0.05), thus H7 is rejected.

Simultaneous Hypothesis Test (F Test)

The results of the simultaneous testing are as follows:

Table 10. Simultaneous Test Results (F Test)

Model	Sum of Squares	df	Mean Square	F	Itself.
Regression	10.166	3	3.389	67.269	0.000b
1 Residual	7.859	156	0.050		
Total	18.025	159			

a. Dependent Variable: Y_PBV
b. Predictors: (Constant), Z_DPR, X2_DER, X1_ROA

Table 10. The results of simultaneous hypothesis testing have a value of Fcal (67.269) > Ftable (2.66) with a significant value of 0.000 < 0.05, meaning that there is a positive and significant influence on profitability, leverage on the value of the company with dividend policy as an intervening variable in manufacturing companies listed on the Indonesia Stock Exchange in 2021-2024.

DISCUSSION

The Effect of Profitability on Company Value

The results of the partial hypothesis test for the profitability variable have a tcal value (12,636) > ttable (1,654) and a significant value of 0.00 < 0.05, meaning that H1 is accepted that there is a positive and significant influence of profitability on the value of the company in manufacturing companies listed on the Indonesia Stock Exchange in 2021-2024. These results are in line with (Nareza Lazwardy Arafa & Mu'minatus Solichah, 2023) which finds that profitability has a positive and significant effect on the company's value. This means that the greater the profitability value, it is indicated that the company's value will increase. A large company value indicates that the greater the company's ability to obtain profits from its operational activities or profitability, the better. An increasingly high level of profitability can increase the credibility of the company which provokes a positive reaction from investors to provide its capital that the company can use for investment in an effort to increase its profitability. However, this is contrary to (Meylani Dwi Anggorowati & Meifida Ilyas, 2022) stating profitability does not have a significant effect on the company's value.

The Effect of Leverage on Company Value

Partial hypothesis test results for variables leverage having a t_{cal} value (3,587) > t_{table} (1,654) and a significant value of $0.00 < 0.05$ means that H2 is accepted that there is a positive influence and significance leverage to the value of the company in manufacturing companies listed on the Indonesia Stock Exchange in 2021-2024. This is in line with (Meylani Dwi Anggorowati & Meifida Ilyas, 2022) and (Nursinta, Khotmi, & Rusdi, 2024) which states that leverage has a significant and direct effect on the value of the company received. This means that leverage The company will increase the value of the company. Debt can improve a company's performance, rather than relying solely on its own capital. However, this result is contrary to (Stuart & Scott, 2021) which states that leverage does not have a significant effect on the company's value.

The Effect of Profitability on Dividend Policy

The results of the partial hypothesis test for the profitability variable have a t_{cal} value (3,609) > t_{table} (1,654) and a significant value of $0.00 < 0.05$, meaning that H3 is accepted that there is a positive influence and significance of profitability on dividend policies in manufacturing companies listed on the Indonesia Stock Exchange in 2021-2024. This is in line with (Nursinta et al., 2024) which states that profitability has a significant and direct effect on dividend policy. This means that to increase dividends can be done by increasing income from profitability. The ability to pay dividends is closely related to the company's ability to generate profits. However, the results of this study contradict (June, 2022) which states that profitability has no effect on dividend policy. In this case, the profits that are worth sharing with shareholders are profits after interest and taxes. The smaller the profit after interest and taxes, the smaller the interest earned, and the smaller the company's ability to pay its dividends.

The Effect of Leverage on Dividend Policy

Partial hypothesis test results for variables leverage having a t_{cal} value (-.444) < t_{table} (1.654) and a significant value of $0.658 > 0.05$ means that H4 is rejected that there is no positive influence and significance leverage dividend policy in manufacturing companies listed on the Indonesia Stock Exchange in 2021-2024. This is contrary to previous researchers (Nursinta et al., 2024) which states that leverage has a significant effect on dividend policy, where he said that to increase dividends can be done by increasing the company's business capital or debt to the company for development, increasing the company's production. However, this research is in line with (Azizah, Dewi, & Siddi, 2020) and (Ramadhina & Wijayanti, 2024) which states that leverage has no significant effect on dividend policy.

The Effect of Dividend Policy on Company Value

The results of the partial hypothesis test for the dividend policy variable have a t_{cal} value (4,626) > t_{table} (1,654) and a significant value of $0.00 < 0.05$, meaning that H5 is accepted that there is a positive and significant influence of the dividend policy on the value of companies in manufacturing companies listed on the Indonesia Stock Exchange in 2021-2024. This is in line with (Putra, A. Ngurah Dharma A., 2022) which states that the dividend policy has a significant positive effect on the company's value. The distribution of dividends distributed evenly in each year will show that the company is

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able to provide profits for shareholders, which in this case will be considered a good thing by investors. However, contrary to the research conducted by (Meylani Dwi Anggorowati & Meifida Ilyas, 2022) which states that the dividend policy has no significant effect on the company's value.

The Effect of Profitability on Company Value with Dividend Policy as an Intervening Variable

The results of the dividend policy test as a partial intervening variable for the profitability variable have a t_{cal} value (11,626) $> t_{table}$ (1,654) and a significant value of $0.00 < 0.05$ means that H_6 is accepted that there is a positive influence and significance of profitability on the value of the company with dividend policy as an intervening variable in manufacturing companies listed on the Indonesia Stock Exchange in 2021-2024. Manufacturing companies need to focus not only on increasing profitability, but also on how those profits are distributed. High profits without a clear dividend policy or with an unstable dividend policy may not be fully appreciated by the market.

The results of this study explain that the profitability ratio is a ratio that measures a company's ability to generate profits. The greater the profitability of a company, the greater the dividend distributed. With a high profitability ratio that a company has, it will attract investors to invest their capital in a company because large profits reflect a large rate of return. This statement is in accordance with bird in the hand theory That dividend policy has a positive influence on profitability. The increase in the very high dividend tells us that the management is very optimistic about the future of the company. High dividends reflect investors to orient themselves to dividends. This is in line with (Sonya, 2020) which states that profitability has a significant effect on the company's value and dividend policy is able to mediate as an intervening variable. However, this is contrary to (Rahmawati & Rinofah, 2021) who said that profitability has no significant effect on the company's value and dividend policy is not able to mediate as an intervening variable.

The Effect of Leverage on Company Value with Dividend Policy as an Intervening Variable

The results of the dividend policy test as a partial intervening variable for the leverage variable have a t_{cal} value (3,974) $> t_{table}$ (1,654) and a significant value of $0.00 < 0.05$, but based on the comparison of the indirect influence path coefficient of leverage on the company's value of -0.008 is very small and the opposite direction with a direct influence of 0.219, it can be concluded that the dividend policy cannot mediate the influence leverage on the company's value, H_7 is rejected, that there is no positive and significant influence of leverage on the company's value with dividend policy as an intervening variable in manufacturing companies listed on the Indonesia Stock Exchange in 2021-2024. This means that in increasing the company's business capital or debt to the company for development and additional company production to get greater profits for the company, the dividend policy is not able to mediate directly as an intervening variable.

The results of this study explain that the dominance of this direct influence can be explained through theory free cash flow (FCF) and Theory Tax Shield. The use of high debt can provide the tax-saving benefits of interest payments, which directly increases the company's net profit and prospects thereby increasing the value of the company. Journal of Management and Business Analytics, Volume 02, No. 01, January 2026, pp. 25-40

Because large interest and principal payments will limit the manager's chances for waste or overinvestment. Substantially investors understand that when leverage Companies must allocate their cash to pay debt obligations, which can reduce flexibility in determining dividends. Thus, dividend policy decisions are irrelevant in assessing the risks or opportunities arising from the use of debt, thus making this mediation path insignificant. This research is in line with (Nursinta et al., 2024) which states that leverage has a significant effect on the company's value and dividend policy is not able to mediate as an intervening variable. However, in contrast to (Anggraeni, 2020) which states that leverage has a significant positive effect on the company's value with dividend policy as an intervening variable.

CONCLUSION

This study aims to evaluate the effect of profitability and leverage on firm value with dividend policy as an intervening variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX). Based on the results, it can be concluded that profitability has a significant influence on firm value with a regression coefficient of 0.740, and leverage also significantly affects firm value with a regression coefficient of 0.210 during the 2021–2024 period. Furthermore, profitability has a significant impact on dividend policy with a regression coefficient of 0.286, while leverage does not have a positive or significant effect on dividend policy, as indicated by a regression coefficient of -0.035 . In addition, dividend policy significantly affects firm value with a regression coefficient of 0.256.

The analysis also reveals that dividend policy can partially mediate the relationship between profitability and firm value, with an indirect regression effect of 0.073, indicating that dividend policy serves as a partial intervening variable in this relationship. However, dividend policy is unable to mediate the effect of leverage on firm value, as the indirect regression coefficient is -0.008 , which is negative and insignificant. Therefore, it can be concluded that while profitability and dividend policy play significant roles in enhancing firm value, leverage has a limited and indirect impact on firm value in manufacturing companies listed on the IDX during the 2021–2024 period.

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