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The Effect of Profitability and Company Size On Company Value With Dividend Policy As A Mediation Variable

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Abstract: Company value reflects the current state of the company and can describe the company's prospects in the future. High company value can increase market confidence in company performance. This research aims to analyze the influence of profitability and company size on company value with dividend policy as a mediating variable on the Indonesian Stock Exchange. The population in this research is all banking companies listed on the Indonesia Stock Exchange in the 2020-2022 period, namely 46 companies. The number of samples in this research was 14 companies listed on the Indonesia Stock Exchange using a non-probability sampling method with purposive sampling technique. Data was collected from the company's annual financial reports from 2020-2022. Data analysis was carried out using path analysis techniques. The results of this research show that profitability and dividend policy have a positive effect on company value, while company size has no effect on company value. Profitability and company size also have no effect on dividend policy. The research results also show that dividend policy is unable to mediate the influence of profitability and company size on company value.

Keyword: Company Value, Profitability, Company Size, Dividend Policy.

INTRODUCTION

Financial management aims to manage a company's financial resources in order to achieve the desired financial goals (Ichfan et al., 2019). Financial management is expected to be able to bring the company to good performance so that it can increase company value (Astuti & Yadnya, 2019). According to Hery (2017:5) company value is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, namely from the time the company was founded until now. The existence of company value is very important because it reflects the current state of the company and can describe the company's prospects in the future (Bagaskara et al., 2021). Companies must pay attention to company value because high company value can increase market confidence in the company's prospects and also the performance of a company (Augustina et al., 2020).

Company value is influenced by several factors, including fundamental factors and technical factors (Listari, 2018). Fundamental factors are factors or analysis related to the economics of a company, including growth opportunity, profitability, capital structure, ownership structure and company size. Technical factors are factors or analysis used to predict the trend of a stock price by studying past market data, especially price movements, volume and trading evacuees (Listari, 2018). The aim of assessing company value is to reflect company performance which can influence investors' perceptions of the company (Bagaskara et al., 2021). High company value will make the market believe not only in the company's current performance but in the company's future prospects (Rohaeni et al., 2018).

Company value is generally shown from the Price to Book Value (PBV) (Wulan, 2022). According to Brigham and Houston (2019:122) company value based on PBV describes how much the market appreciates the book value of a company's shares. The PBV measurement is often used in research because it describes how much the market value reflected in the share price is relative to the book value of a company's shares.

Tandelilin (2017:324) states that price to book value describes the relationship between the market price of shares and the book value per share which can be used to determine the value of a share where the market value of a share must reflect its book value. PBV ratio analysis allows the market to assess the future prospects of a company. (Sintyana & Artini, 2019). The higher the PBV ratio value of a company, the company is able to create relatively good company value for investors or shareholders.

Fluctuations in PBV are caused by various factors that influence the stock market price and book value of the company. Changes in a company's financial performance, such as profits, revenues and assets can affect book value and thus influence PBV. Apart from that, share price fluctuations caused by market sentiment and economic conditions such as inflation and the Covid-19 pandemic also have a direct impact on PBV (Agustin et al., 2023).

This research focuses on banking companies listed on the Indonesia Stock Exchange as research objects and uses the 2020-2022 period. Banking is a company that contributes to state income as an intermediation institution (Suhendra & Ronaldo, 2017). A banking company as an intermediation institution means that the bank bridges the needs of two different customers, one party is a customer who has funds and the other party is in need (Suhendra & Ronaldo, 2017).

Banking must comply with the precautionary principle because the risks it bears are higher than other sectors, such as credit risk, market risk, liquidity risk, operational risk, legal risk, reputation risk, management risk and systemic risk. Banking can reduce losses and maintain stability by implementing prudential principles and good risk management, thereby impacting customer, investor and overall economic growth. Banking companies are a reflection of investor confidence in the stability of a country's financial system and banking system, and many banks have gone public, making it easier to see the financial position and performance of a bank (Lazuardi & Wiratno, 2023).

This research uses profitability, company size and dividend policy as variables that influence company value. Profitability, company size and dividend policy were chosen because they can be a comprehensive representation of the company's financial performance, stability and future prospects which are important for investor assessment.

Profitability is a ratio to assess a company's ability to make a profit. Profitability provides a measure of the level of effectiveness of a company's management (Kasmir, 2019:196). High profitability indicates that the company is in a good position financially. This is very important for investors because high profitability can be a factor to consider when making investment decisions. Profitability reflects that a company with high profits has the ability to support company growth and expansion so that it becomes attractive to investors.

Profitability is a reflection of the level of net profit obtained by a company when carrying out its operations. In accordance with signaling theory which shows that high profitability is related to good company prospects, which triggers investors to increase demand for shares (Ardiantini et al., 2020). Companies must pay attention to profitability because it can be used to measure the company's success in carrying out its operations, if the company experiences an increase in profits every year, it indicates that the company has succeeded in running its operations well (Kasmir, 2019: 161).

The proxy used to measure the level of profitability in this research is Return on Assets (ROA). Return On Assets (ROA) according to Kasmir (2019:201) is a ratio that shows the results (return) on the number of assets used in the company. ROA is used as a proxy because it can measure the net profit generated from the assets owned by the company.

Results of research regarding the influence of profitability on company value conducted by Witjaksono & Sari, (2021); Fauzya (2021); and Atiningsih & Izzaty, (2021) show that profitability has a positive effect on company value. However, research conducted by Setia Pratiwi et al., (2023); Sondakh, (2019); and Mercyana et al., (2022) are not in line with the research which states that profitability has no effect on company value.

Profitability is the company's ability to earn profits so that it has an influence on dividend distribution decisions. If the company's level of profitability is high, the greater the profits generated by the company will be distributed in the form of dividends to shareholders. Management will try to obtain maximum profits in order to increase the ability to pay dividends.

Research conducted by Sholikhah et al., (2022) states that profitability has a positive and significant effect on dividend policy. This research is supported by research by Sulhan, (2019); Siahaan & Hanantijo, (2020); Hadian, (2019); Lasniroh et al., (2019); and Huda et al., (2020). However, research conducted by Novitasari & Sudjarni, (2015); Atmoko et al, (2017); Yusuf, (2015) and Demirgüneş, (2015)

According to Riyanto (2011:313), company size is the size of the company seen from the size of its equity value, sales value or asset value. This research uses the company size variable because company size is a reflection of the total assets owned by a company, and with large total assets it will make it easier for the company to obtain a good source of funding. Company size in accordance with signaling theory states that large companies provide good signals to investors, so they can increase company value (Cheryta et al., 2017). The larger a company has a higher level of assets so it can gain profits which will affect the value of the company (Dewantari et al., 2019).

Company size can influence company value because the larger the company size, the easier it is for the company to obtain funding sources. Large companies usually have advantages in resources, product diversification, and broad market reach. Resources include capital, infrastructure, and a trained workforce enabling companies to face challenges and good business opportunities. Product diversification minimizes the risk of dependence on just one market or product. Wide market coverage helps reduce the risk of market fluctuations and opens up greater growth opportunities. Resources, product diversification and broad market reach will support company growth and increase investor confidence, thereby increasing company value (Astuti & Yadnya, 2019).

The results of research regarding the influence of company size on company value have different results. Research conducted by Wijaya (2021); Sondakh, (2019); and Maulida & Karak, (2021) stated that company size has a positive and significant effect on company value. However, on the contrary, research conducted by Margono & Gantino, (2021);

Witjaksono & Sari, (2021); and Aulia et al., (2020) stated that company size has no impact on company value.

Dividend policy is a decision whether the profits earned by the company will be distributed at the end of the year to shareholders in the form of dividends or will be retained to increase capital to finance future investments (Harjito & Martono, 2012: 270). Factors that influence a company's policy of paying dividends include the company's cash position or liquidity, the company's debt repayment needs, the company's expansion level, the company's access to the capital market and the position of shareholders in the tax group (Wiagustini, 2014: 288). Companies need to pay attention to dividend policy because it reflects how the company manages profit distribution to its shareholders.

The decision to pay dividends or retain profits can affect share prices and investor confidence (Sintyana & Artini, 2019). If a company decides to remain constant in dividend payments and even increase them from time to time, it will be proof that the company's performance has proven to be good and has gained investors' trust, thus having a positive impact on company value (Aprianto, 2021).

Signaling theory says that from the investor's perspective, if the company distributes dividends, investors will consider the dividend distribution as a positive signal so that investors will make purchases. The more purchases there are, the share price will also increase, thereby increasing the company value (Ovami, 2020). Dividend policy can be measured using the Dividend Payout Ratio (DPR). Companies use the dividend payout ratio to determine the amount or percentage of dividends distributed and the amount of retained earnings that will be used for investment needs (Rahayu & Rusliati, 2019).

Research conducted by Margono & Gantino (2021); Witjaksono & Sari, (2021); and Suriyanti, (2023) stated that dividend policy has a positive and significant effect on company value. However, in research conducted by Ragil Saputri & Bahri (2020); Bon & Hartoko, (2022); and Astika., et al (2019) stated that dividend policy has no effect on company value. Investors will pay more attention to the company's ability to earn profits and make good decisions in using profits for the company now and in the future.

Company size can also influence dividend policy. Larger companies tend to have greater financial resources, better access to capital markets, greater cash flow stability, and greater investor confidence. Companies that have a larger size will be more capable and have the opportunity to pay dividends to shareholders (Astuti & Yadnya, 2019).

Research conducted by Agustino & Dewi, (2019); Jape, (2016); Sholikhah et al., (2022); Dewi & Muliati, (2021); Aditya et al., (2020); and Tinagon et al., (2022) state that company size has a positive effect on dividend policy. However, on the contrary, research conducted by Zulkifli & Latifah, (2021); Mayanti et al., (2021); and Hestin & Purwohandoko, (2020) state that company size has no effect on dividend policy.

Profitability and company size have an important role in dividend policy because they directly influence the company's ability to pay dividends constantly and have an impact on company value (Astuti & Yadnya, 2019). However, there are still many controversial research results, so researchers use a mediating variable, namely dividend policy, to strengthen the influence between profitability and company size on company value through dividend policy. Considering that profitability and company size are factors that influence company value and at the same time influence dividend policy.

This research uses dividend policy as a mediating variable because the company's ability to pay dividends is closely related to the company's ability to earn profits in a given period. If the company's ability to earn high profits, it is predicted that the company's ability to pay dividends will also be high, thus encouraging an increase in company value (Astuti & Yadnya, 2019). Dividend policy is also considered capable of mediating the effect of company size on company value because usually large companies tend to have many choices of sources of funds for their operations other than using retained earnings, thus causing large companies to have more potential to pay high dividends.

The results of research conducted by Sukoco (2013), Wahyuni & Wihandaru, (2016); and Astuti & Yadnya, (2019); found that dividend policy was able to mediate the effect of profitability and company size on company value. Results of research conducted by Aditya, (2020); Jariah, (2016); and Safiah & Aprianto, (2021) show that dividend policy is unable to mediate the relationship between profitability and company value.

The hypotheses of this research are H1: Profitability has a positive effect on company value, H2: Company size has a positive effect on company value, H3: Dividend policy has a positive effect on company value, H4: Profitability has a positive effect on dividend policy, H5: Company size has a positive effect on dividend policy, H6: Dividend policy is able to mediate profitability on company value, H7: Dividend policy is able to mediate company size on company value.

Based on the research gap and phenomena that have been explained, researchers are interested in examining the effect of profitability and company size on company value with dividend policy as a mediating variable in banking companies listed on the Indonesia Stock Exchange for the 2020-2022 period.

METHOD

The approach used in this research is an associative quantitative approach, which emphasizes numerical data and the relationship between two or more variables. This research aims to determine the effect of profitability and company size on company value with dividend policy as a mediating variable in banks listed on the Indonesia Stock Exchange (BEI) for the 2020-2022 period. The location of this research is banking companies on the IDX, with data accessed via www.idx.co.id. The object of research is company value which is influenced by profitability, company size, and dividend policy.

Research variables include endogenous variables (firm value), exogenous variables (profitability and company size), and mediating variables (dividend policy). Company value is measured using price to book value (PBV), profitability is measured by return on assets (ROA), company size is measured by the natural logarithm of total assets, and dividend policy is measured by the Dividend Payout Ratio (DPR).

The population of this research is 46 banking companies registered on the IDX during 2020-2022, with samples selected using non-probability sampling methods, especially purposive sampling, to obtain 14 companies that meet the criteria. The type of data used is quantitative data in the form of financial reports obtained from secondary sources such as the official BEI website, finance.yahoo.com, and investing.com.

Data was collected through non-participant observation, where researchers analyzed historical data in the form of financial reports and information from relevant sources. Data analysis techniques include descriptive analysis to describe the collected data and inferential analysis to analyze sample data. Classic assumption tests, including normality tests, autocorrelation tests, multicollinearity tests, and heteroscedasticity tests, were carried out to ensure the validity of the regression model. The Sobel test is used to test the indirect effect of exogenous variables on endogenous variables through mediating variables. Path analysis is used to estimate the causal relationship between variables, and hypothesis testing (t-test) is carried out to test the significant influence of the independent variable on the dependent variable.

This research provides an in-depth understanding of the factors that influence the value of banking companies in Indonesia, with an emphasis on the mediating role of dividend policy. The results are expected to provide theoretical and practical contributions to the development of banking company financial strategies.

RESULTS AND DISCUSSION

The scope of this research is banking sector companies listed on the Indonesia Stock Exchange for the 2020-2022 period. Banking is everything that concerns banks, including institutions, business activities, as well as methods and processes for carrying out business activities (Simatupang, 2019). The scope of this research was chosen because companies in the banking sector were able to develop and survive the economic crisis compared to companies in other sectors. Banking companies are a reflection of investor confidence in the stability of a country's financial system and banking system, and many banks have gone public, making it easier to see the financial position and performance of a bank.

In 2023, there will be 46 banking sector companies listed on the Indonesia Stock Exchange (BEI). In this study the number of companies used was 14 companies, this was because 32 companies did not meet the sample criteria which in this study used purposive sampling. A total of 32 companies did not meet the sample criteria because these companies did not pay dividends in the 2020-2022 period. The number of companies in the sample was 14 companies with an observation period of 3 (three) research years, namely 2020-2022, so the number of observations (n) in this research was 42.

Descriptive Statistical Test

Table 1. Descriptive Statistical Test Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	42	.37	8.41	1.9013	1.68674
Company Size	42	29.66	35.23	32.8805	1.57727
Dividend Policy	42	2.85	182.09	43.1205	34.98587
Company Value	42	.5	4.9	1.686	1.3460

Source: Secondary data processed, 2024

Based on the results of descriptive statistics in Table 1, it is found that the number of observations (n) is 42, with each research variable using a sample of 42. The minimum profitability value was 0.37 and the was maximum value of 8.41. The average value (mean) of profitability in 2020-2022 was 1.9013 and the standard deviation was 1.68674. The minimum company size value was 29.66 and the maximum value was 35.23. The average (mean) value of company size in 2020-2022 was 32.8805 and the standard deviation value was 1.57727. The minimum dividend policy value was 2.85 and the maximum value was 182.09. The average (mean) value of dividend policy for 2020-2022 was 43.1205 and the standard deviation value was 34.98587. The minimum value on the company value variable was 0.5 and the maximum value was 4.9. Average value (mean) of company value in 2020-2022 amounting to 1,686 and the standard deviation value was1.3460.

Classic Assumption Test

Table 2. Normality Test Results (Before Data Transformation)

Equality	Statistical Tests	Asymp. Sig. (2-tailed) Kolmogorov-Smirno	Decision
Structure I	0.151	0.017	Abnormal
Structure II	0.226	0.000	Abnormal

Source: Secondary data processed, 2024

Based on the results of the normality test with Kolmogorov-Smirnov in table 2, it is known that the value of Asymp. Sig. (2-tailed) structural equation I is 0.017 and structural equation II is 0.000. Asymp value. Sig. (2-tailed) both equations are smaller than the significance level, namely 0.05, which indicates that the normality assumption is not met.

Abnormal residuals can be treated so that the residuals are normally distributed. According to Ghozali (2018:34), if the data is not normally distributed, transformation can be carried out by looking at the histogram graph form of the existing data, whether the graph shape includes moderate positive skewness, substantial positive skewness, severe positive skewness, moderate negative skewness, substantially negative skewness and severe negative skewness. Based on the histogram form in this research, an Ln or Natural Logarithm transformation was carried out on the variables profitability, company size, dividend policy and company value because the curve shows a tendency to lean towards the top left or what is often called substantial positive skewness.

Table 3. Normality Test Results (After Data Transformation)

Equality	Statistical Tests	Asymp. Sig. (2-tailed) Kolmogorov-Smirno	Decision
Structure I	0.130	0.074	Normal
Structure II	0.088	0.200	Normal

Source: Secondary data processed, 2024

Based on the results of the normality test with Kolmogorov-Smirnov in table 3, it is known that the value of Asymp. Sig. (2-tailed) structural equation I is 0.074 and structural equation II is 0.200. Asymp value. Sig. (2-tailed) both equations are greater than the significance level, namely 0.05, which indicates that the normality assumption is met.

Table 4. Autocorrelation Test Results

Equality	Mark Durbin Watson	Du value	4-du value	Decision
Structure I	1.310	1.6061	2.3939	Autocorrelation
Structure II	0.993	1.6671	2.3329	Autocorrelation

Source: Secondary data processed, 2024

Table 4 shows the Durbin-Watson value for structure I of 1.310 which is below du = 1.6061 and 4-du = 2.3939, then structure II of 0.993 is below du = 1.6671 and 4-du = 2.3329. A good regression model is one that does not contain symptoms of autocorrelation with the criteria du < dw < (4- du). Structure I obtained 1.6061 > 1.310 < 2.3939 and structure II obtained 1.6671 > 0.993 < 2.3329, so it can be concluded that autocorrelation symptoms occur.

According to Ghozali (2016:125) if the regression of a study has autocorrelation, then treatment is carried out. Autocorrelation can be treated with 4 methods, namely the First Difference method, the ρ value estimated based on Durbin-Watson d Statistics, The Cochrane-Orcutt two-step Procedure and Durbin's two-step Method. This research uses Durbin's two-step method to treat autocorrelation problems. The results of the autocorrelation test using Durbin's two-step method are shown in Table 5.

Table 5. Autocorrelation Test Results using Durbin's two-step Method

Equality	Mark Durbin Watson	Du value	4-du value	Decision
Structure I	1.687	1.6061	2.3939	Autocorrelation free
Structure II	1.994	1.6671	2.3329	Autocorrelation free

Source: Secondary data processed, 2024

Based on table 5, the regression model where the autocorrelation problem initially occurred was treated (Durbin's two-step method). After autocorrelation treatment, the regression model is free from autocorrelation problems. Table 5 shows the Durbin-Watson value for structure I of 1.687, which is between du = 1.6061 and 4-du = 2.3939, then structure II of 1.994 is between du = 1.6671 and 4-du = 2.3329. Structure I obtained 1.6061 < 1.687 < 2.3939 and structure II obtained 1.6671 < 1.994 < 2.3329, so it can be concluded that there are no symptoms of autocorrelation.

Table 6. Multicollinearity Test Results

Equality		Collinearity Statistics	
		Tolerance	VIF
Structure I	Profitability	0.998	1.002
	Company size	0.998	1.002
Structure II	Profitability	0.996	1.004
	Company size	0.948	1.055
	Dividend policy	0.949	1.054

Source: Secondary data processed, 2024

The data used in this research for the multicollinearity test is data from variables. Based on Table 6, each VIF value is known as follows.

1. Structure I on the profitability variable obtained a VIF value of 1.002 < 10 with a tolerance value of 0.998 > 0.10, so the profitability variable can be stated as having no symptoms of multicollinearity. The company size variable obtained a VIF value of 1.002 < 10 with a tolerance value of 0.998 > 0.10, so the company size variable can be stated as having no symptoms of multicollinearity.
2. Structure II for the profitability variable obtained a VIF value of 1.004 < 10 with a tolerance value of 0.996 > 0.10, so the profitability variable can be stated as having no symptoms of multicollinearity. The company size variable obtained a VIF value of 1.055 < 10 with a tolerance value of 0.948 > 0.10, so the company size variable can be stated as having no symptoms of multicollinearity. The dividend policy variable obtained a VIF value of 1.054 < 10 with a tolerance value of 0.949 > 0.10, so the company size variable can be stated as having no symptoms of multicollinearity.

Table 7. Heteroscedasticity Test Results

Equality	R square
Structure I	0.027
Structure II	0.055

Source: Secondary data processed, 2024

Based on the results of the heteroscedasticity test with the white test, it can be seen as follows.

1. Based on the structural equation I, the R square value is 0.027 with the number of observation data (n) 42, then the calculated chi square value is 0.027 x 42 = 1.134 while the chi square table with Df = (k-1) = 2 - 1 with a significance level of 0.05 then the chi square table value is 3.841. So the white chi square test value is 1.134 < chi square table 3.841, so it can be concluded that heteroscedasticity does not occur.
2. Based on the structural equation II, the R square value is 0.055 with the number of observation data (n) 42, then the calculated chi square value is 0.055 x 42 = 2.31 while the chi square table with Df = (k-1) = 3 - 1 with a significance level of 0.05 then the chi square table value is 5.991. So the white chi square test value is 2.31 < chi square table 5.991, so it can be concluded that heteroscedasticity does not occur.

Path Analysis

Table 8. Results of Structure Path Analysis I

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-10.688	9.894		-1.080	0.287
	Profitability	-0.059	0.198	-0.047	-0.299	0.766
	Company Size	4.054	2.834	0.223	1.430	0.161
a. Dependent Variable: Dividend Policy						
R2 = 0.051						

Source: Secondary data processed, 2024

Based on the results of the linear regression analysis in table 8, the following regression model was obtained.

$$Z = \beta1X1 + \beta2X2 + e1$$

$$Z = -0.047X1 + 0.223X2 + e1$$

This structural equation means that the profitability variable has a regression coefficient of -0.047, meaning that profitability has a negative influence on dividend policy. This means that if profitability increases, dividend policy will decrease. The company size variable has a regression coefficient of 0.223, meaning company size has a positive influence on dividend policy. This means that if company size increases, dividend policy will increase.

Table 9. Results of Structure Path Analysis II

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-2.454	6.462		-0.380	0.706
	Profitability	0.630	0.128	0.598	4.925	0.000
	Company Size	0.459	1.871	0.031	0.245	0.808
	Dividend Policy	0.249	0.103	0.300	2.412	0.021
a. Dependent Variable: Company Value						
R2 = 0.442						

Source: Secondary data processed, 2024

Based on the results of the linear regression analysis in table 9, the following regression model was obtained.

$$Y = \beta3X1 + \beta4X2 + \beta5Z + e2$$

$$Y = 0.598X1 + 0.031X2 + 0.300Z + e2$$

This structural equation means that the profitability variable has a regression coefficient of 0.598, meaning profitability has a positive influence on company value. This means that if there is an increase in profitability, the company value will increase. The company size variable has a regression coefficient of 0.031, meaning company size has a positive influence on company value. This means that if there is an increase in company size, the company value will increase. The dividend policy variable has a regression coefficient of 0.300, meaning that dividend policy has a positive influence on company value. This means that if there is an increase in dividend policy, the value of the company will also increase.

Table 10. Results of analysis of direct influence, indirect influence and total influence

Variable	Direct Influence	Indirect Influence	Total Influence
ROA → PBV	0.598	-0.0141	0.5839
FIRM SIZE → PBV	0.031	0.0669	0.0979
ROA → DPR	-0.047		

FIRM SIZE → DPR	0.223
DPR → PBV	0.300

Source: Secondary data processed, 2024

Following are the results of calculating the value of the error variable for each structure.

$$e1 = \sqrt{1 - R_1^2}$$

$$e1 = \sqrt{1 - R_1^2} = \sqrt{1\text{-}0.051} = 0.974$$

$$e2 = \sqrt{1 - R_1^2}$$

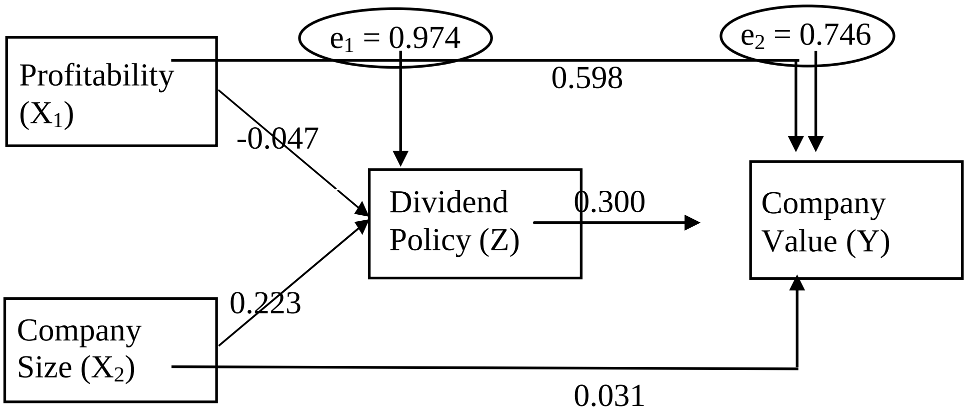
$$e2 = \sqrt{1 - R_1^2} = \sqrt{1\text{-}0.442} = 0.746$$

The calculation of the total coefficient of determination is as follows.

$$\begin{aligned} R^2_m &= 1 - (e_1)^2\,(e_2)^2 \\ &= 1 - (0.974)^2\,(0.746)^2 \\ &= 0.473 \end{aligned}$$

Calculating the total coefficient of determination value is 0.473, it is concluded that 47.3% of the company value variables in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period are influenced by profitability, company size and dividend policy.

Below are presented the path coefficient values for each variable's influence.



Source: Secondary data processed, 2024

Figure 1. Validation of Path Analysis

The magnitude of the influence of profitability and company size on dividend policy and company value, as well as the magnitude of the influence of dividend policy on company value, each of which is obtained from the standardized coefficient Beta and the magnitude of the value of each error variable from each structural equation.

Table 11. Coefficient of Determination Test Results (R2) for Structure I

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate	Durbin-Watson
1	.226 a	.051	.002	.87786	1.310

Source: Secondary data processed, 2024

Based on table 11, it is known that the R^2 (Rsquare) value is 0.051, this means that 5.1% of the variation in the dividend policy variable can be explained by variations in the profitability and company size variables, while 94.9% is influenced by other variables outside this research.

Table 12. Coefficient of Determination Test Results (R2) Structure II

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.664 a	.442	.397	.56494	.993

Source: Secondary data processed, 2024

Based on table 12, it is known that the R^2 (Rsquare) value is 0.442, this means that 44.2% of the variation in the company value variable can be explained by variations in the variables profitability, company size and dividend policy, while 55.8% is influenced by other variables outside this research.

Sobel Test

Based on table 8 and 9, it shows that the regression coefficient value is large so that it can be seen whether the mediation effect is significant or not by using the Sobel test as follows.

1. Sobel test of the effect of profitability on company value with dividend policy as a mediating variable

$$Z = \frac{(-0.047)(0.300)}{\sqrt{(0.300)^2(0.198)^2 + (-0.047)^2(0.103)^2 + (0.198)^2(0.103)^2}}$$
$$Z = \frac{-0.0141}{0.062989}$$
$$Z = -0.2238$$

2. Sobel test of the effect of company size on company value with dividend policy as a mediating variable

$$Z = \frac{(0.223)(0.300)}{\sqrt{(0.300)^2(2.834)^2 + (0.223)^2(0.103)^2 + (2.834)^2(0.103)^2}}$$
$$Z = \frac{0.0669}{0.89920}$$
$$Z = 0.0743$$

Hypothesis Test

1. The effect of profitability on company value

   The significance value of t for the profitability variable is 0.000, this value is smaller compared to the real level α = 0.05. The Beta value of the standardized coefficient for the profitability variable on company value is 0.598, which indicates a positive direction. The first hypothesis (H1) which states "Profitability has a positive effect on company value" **is accepted.**

2. The effect of company size on company value

   The significance value of t for the company size variable is 0.808, this value is greater than the real level α = 0.05. The Beta value of the standardized coefficient for the company size variable on company value is 0.031, which indicates a positive direction. The second hypothesis (H2) which states "Company size has a positive effect on company value" **is rejected.**

3. The effect of profitability on dividend policy

   The significance value of t for the profitability variable is 0.766, this value is greater than the real level α = 0.05. The Beta value of the standardized coefficient for the profitability variable on dividend policy is -0.047, which indicates a negative direction.

The third hypothesis (H3) which states "Profitability has a positive effect on dividend policy" **is rejected.**

4. The effect of company size on dividend policy

   The significance value of t for the company size variable is 0.161, this value is greater than the real level $\alpha = 0.05$. The Beta value of the standardized coefficient for the company size variable on dividend policy is 0.223, which indicates a positive direction. The fourth hypothesis (H4) which states "Company size has a positive effect on dividend policy" **is rejected.**

5. The effect of dividend policy on company value

   The significance value of the dividend policy variable t is 0.021, this value is smaller compared to the real level $\alpha = 0.05$. The Beta value of the standardized coefficient of the dividend policy variable on company value is 0.300, which indicates a positive direction. The fifth hypothesis (H5) which reads "Dividend policy has a positive effect on company value" **is accepted.**

6. The effect of profitability on firm value is mediated by dividend policy

   The results of the Sobel test, the Z value, is -0.2238, which is smaller than the t_{table} with a significance level of 0.05, namely 1.96 ($-0.2238 < 1.96$), so this means that there is no mediating influence from the dividend policy variable. The sixth hypothesis (H6) which states "Dividend policy is able to mediate the effect of profitability on company value" **is rejected.**

7. The effect of company size on company value is mediated by dividend policy

   The results of the Sobel test, the Z value, is 0.0743, which is smaller than the t_{table} with a significance level of 0.05, namely 1.96 ($0.0743 < 1.96$), so this means that there is no mediating influence from the dividend policy variable. The seventh hypothesis (H7) which states "Dividend policy is able to mediate the effect of company size on company value" **is rejected.**

Based on the results and path coefficients of the research hypothesis, the causal relationship between dividend policy variables mediating the influence of profitability and company size on company value in banking sector companies can be explained as follows:

The Effect of Profitability on Company Value

The analysis results from this research show that profitability has a positive and significant effect on company value in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period so that the first hypothesis (H1) in this research is accepted. The positive and significant influence of profitability on company value indicates that the high level of profits in the company significantly influences investors' perceptions of company value.

Signaling theory states that profitability is a signal that a company gives to investors. High profitability will be able to provide a positive signal to investors to invest capital in the company. When a company reports high profits or an increase in profits, this can increase investor confidence and encourage an increase in the company's share price, thereby increasing the company's value. High profitability serves as a signal to investors that the company has efficient operations, competent management, and good growth prospects, resulting in a high level of profit.

Research conducted by Nurwani (2019) states that as profitability increases, the value of the company increases. An increase in profitability value provides a good signal for investors so that investors want to invest their funds in a company which will increase the company's share price and ultimately increase the value of the company. This research is in line with research conducted by Fauzya, (2021); Atiningsih & Izzaty, (2021); Wijaya, (2021); Ispriyahadi et al., (2021); Ragil Saputri & Bahri, (2020); Bon & Hartoko, (2022); and

Witjaksono & Sari, (2021) with research results showing that profitability has a positive effect on company value.

The Effect of Company Size on Company Value

The results of the analysis from this research show that company size has no effect on company value in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period so that the second hypothesis (H2) in this research is rejected. The size of the company will not affect the value of the company.

Company size is not the only factor determining company value. There are several other factors that influence company value such as operational efficiency, sales growth rate, financial risk, and market sentiment. Operational efficiency is a factor that is reflected in the optimal use of company capital and resources. Companies that are able to manage their capital efficiently will have high profits thereby increasing company value. A company with a stable sales growth rate and controlled financial risks shows that the company has good prospects and is able to attract investor interest, thereby increasing the company's value. In addition, market sentiment such as news can influence investors' perceptions of a company's performance and prospects, thereby influencing company value.

Signaling theory states that signals or information received by investors from various sources can be more influential in shaping investors' perceptions of company value. These signals can come from various sources and can be obtained in various ways. Investors do not pay attention to the size of the company and pay more attention to other good information (good news) that can increase the value of the company. The results of this research are supported by research conducted by Margono & Gantino, (2021); Witjaksono & Sari, (2021); and Aulia., et al (2020) states that company size has no impact on company value.

The Effect of Profitability on Dividend Policy

The analysis results from this research show that profitability has no effect on dividend policy in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period so that the third hypothesis (H3) in this research is rejected. The size of the profits earned by the company will not affect the size of the dividends distributed to shareholders.

Signaling theory states that profitability is information provided by a company as a signal to outside parties to reduce information asymmetry. The results of this research state that profitability has no effect on dividend policy, which shows that companies that have high profits do not affect a company's dividend policy. Companies utilize profits for internal investment because more profitable investment opportunities will be chosen rather than distributing dividends which will ultimately generate more profits.

Companies also have to maintain cash reserves to face economic and environmental uncertainty so the need for liquidity is certainly more urgent than distributing dividends. Apart from that, companies focus more on expansion or developing new products to generate more profits so companies prefer not to distribute dividends. More profitable companies prefer to reinvest profits into the business for better growth or to reduce financial risks.

Profitability is not used as a tool to provide positive signals to the market, so profitability has no effect on dividend policy and is not in line with signal theory. The results of this research are supported by research conducted by Atmoko et al, (2017); Bawamenewi & Afriyeni, (2019); and Nurfatma & Purwohandoko, (2020).

The Effect of Company Size on Dividend Policy

The results of the analysis from this research show that company size has no effect on dividend policy in banking sector companies on the Indonesia Stock Exchange for the 2020-

2022 period so that the fourth hypothesis (H4) in this research is rejected. The size of the company does not affect the increase or decrease in a company's dividend policy .

Company size has no effect on dividend policy which is not in line with signaling theory which states that large companies pay larger dividends to give positive signals to investors about the company's prospects. Company size has no effect on dividend policy because the size of the company is based on the amount of assets it owns, and not just the capability to distribute dividends. Large companies usually have large operational activities, where the dividends distributed to shareholders come from the net profit generated by the company. If a large company does not earn sufficient net profit, especially if its operational cash flow is inadequate to support dividend payments, then the company will not distribute dividends to shareholders.

Shareholder preferences also have an important role in dividend policy. Many shareholders prefer to reinvest to support long-term company growth rather than receive dividends. Reinvestment can include new product development, market expansion, or increased operational efficiency, which can increase a company's value in the long term.

Company size is not yet a signal that investors can use in making decisions because investors consider company size to be one of the considerations in the strategy, but not always the sole determining factor. This research is in line with research conducted by Idawati, (2017); Astuti & Yadnya, (2019); Zulkifli & Latifah, (2021); Mayanti et al., (2021); and Hestin & Purwohandoko, (2020); and Syahwildan et al., (2023).

The Effect of Dividend Policy on Company Value

The results of the analysis from this research show that dividend policy has a positive and significant effect on company value in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period. the fifth hypothesis (H5) in this study was accepted. The positive and significant influence of dividend policy on company value indicates that the greater the level of dividend policy a company has, the company value will also increase.

Signaling theory states that dividend policy is considered a signal for investors in assessing whether a company is good or bad. Dividend policy affects company value because it can attract investors to invest their capital which has an impact on increasing share prices thereby increasing company value. When a company constantly pays dividends, it shows that the company has stable future cash flows and good financial performance. Investors will receive it as a positive signal that can increase share prices and company value.

A company's dividend policy can also signal investment opportunities to investors, which can influence company value. Companies that distribute stable dividend yields will signal to investors that the company has a good business model. A stable or even high dividend yield can attract investors and thus increase company value. This research is in line with research conducted by Margono & Gantino, (2021); Ovami, (2020); Ganar, (2018); Anindya et al., (2023); and Witjaksono & Sari, (2021)

The Effect of Dividend Policy in Mediating Profitability on Company Value

The results of the analysis from this research show that dividend policy is unable to mediate the effect of profitability on company value in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period so that the sixth hypothesis (H6) in this research is rejected. The test results of the direct influence of profitability on firm value are positive and significant, while the direct influence of dividend policy on firm value is positive and significant. The results of research when conducting path analysis show that dividend policy is unable to mediate the influence between profitability and company value.

Dividend policy is unable to mediate the effect of profitability on company value because the company considers that a high level of profitability is able to demonstrate the company's ability to maintain liquidity, expand or expand its business, and make investments. A company with good management and maintaining these activities will produce high profits so that it will increase the value of the company. Therefore, companies do not need to distribute dividends to increase company value, because the profits generated from high profitability are sufficient to show good performance and the company's future prospects. This research is in line with research conducted by Aditya, (2020); Jariah, (2016); and Safiah & Aprianto, (2021).

The Effect of Dividend Policy in Mediating Company Size on Company Value

The results of the analysis from this research show that dividend policy is unable to mediate the influence of company size on company value in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period. Based on this, the seventh hypothesis (H7) in this study is rejected.

The test results of the direct effect of company size on company value are negative and insignificant, while the direct effect of dividend policy on company value is positive and significant. The research results when conducting path analysis show that dividend policy is unable to mediate the influence of company size on company value.

Dividend policy is unable to mediate the effect of company size on company value because company size is not the only determining factor in company value. There are several other factors that can influence company value, which is evident from the R-square value of 55.8%, which shows that variability in company value is influenced by other factors such as operational efficiency, sales growth rate, financial risk, or market sentiment. Thus, either directly or indirectly through the mediation of dividend policy, this hypothesis is not accepted. Firm size, although important is not sufficient to fully explain variations in firm value and dividend policy cannot effectively mediate this influence. This research is in line with research conducted by Astuti & Yadnya, (2020) and Supriyanah & Ghoniyah, (2015).

CONCLUSION

Based on the results of the analysis and discussion that have been described, the following conclusions can be drawn:

1. Profitability has a significant positive effect on company value in the banking sector on the Indonesia Stock Exchange for the 2020-2022 period. High profitability serves as a signal to investors that the company has efficient operations, competent management, and good growth prospects, resulting in high levels of profit and increasing company value.
2. Company size has no effect on company value in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period. Company value is not only influenced by company value but there are other influencing factors, namely operational efficiency, sales growth rate, financial risk or market sentiment.
3. Profitability has no effect on dividend policy in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period. The resulting profitability will be allocated to investment opportunities, maintaining company liquidity, and expansion or development of new products.
4. Company size has no effect on dividend policy in the banking sector on the Indonesia Stock Exchange for the 2020-2022 period. Company size is not the main determining factor in dividend policy. Other factors such as financial performance, investment strategy, and shareholder preferences determine dividend policy more than company size alone.
5. Dividend policy is unable to mediate the effect of profitability on company value in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period. A high level of profitability can show that the company is able to maintain liquidity, expand

or expand its business, make investments that will increase the value of the company and there is no need to distribute dividends.

6. Dividend policy is unable to mediate the influence of company size on company value in banking sector companies on the Indonesia Stock Exchange for the 2020-2022 period. Company size is not the only determining factor of company value. There are several other factors that can influence company value, as evidenced by the r square value of 55.8% which is influenced by other factors such as operational efficiency, sales growth rate, financial risk or market sentiment.

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