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

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A B S T R A C T

This research method usus a quantitative approach with panel data analysis. The research sample consists of 8 Basic Materials sector companies selected based on the purposive sampling method. The data analysis technique utilized is panel data regression with the Fixed Effect Model (FEM) approach, as well as the Sobel test to measure the role of dividend policy as an intervening variable. The outcomes of the study show that (1) company size does not have a significant effect on company value, (2) profitability has a positive and significant effect on company value, (3) dividend policy has a positive effect on company value, (4) dividend policy does not mediate the relationship between company size and company value, but (5) dividend policy is able to mediate the effect of profitability on company value.

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INTRODUCTION

Businesses in the raw materials industry offer commodities and services that are used by other industries as a starting point for making finished goods. In terms of stock investment, the raw materials sector ranks first. Since the raw materials industry is a business that supplies raw materials used by businesses in other industries, this sector can be considered one of the most significant and promising for a country. This industry is growing very rapidly in Indonesia, both nationally and in all fields. This business is expanding significantly than other businesses, particularly in the production of packaging and plastic goods. This economic sector is a chemical business that manufactures raw materials. The value of production costs from other industrial sectors will be affected if the price of goods produced by businesses involved in the raw materials industry increases. Therefore, the raw materials industry is considered Among the most alluring options for investing (Rissa, 2023).

A key metric for evaluating a business's performance is the company's value, whose reflects investors' perceptions of the corporation's potential for future growth. An elevated corporate value means greater investor confidence, which can ultimately raise the business's competitiveness within the capital market. Company value could be impacted by a number of things, notably company size and profitability (Sari et al., 2022).

Company size is often considered as among the elements affecting company value, owing to the fact that bigger businesses generally have better availability of its sources of financing, are more stable in facing business risks, and are more trusted by investors. However, previous research results show mixed findings. Some studies found that a company's size has a favorable impact on company value, while other research revealed that company size has no significant impact (Indriani & Juniarti, 2020). According to Rahayu and Sari (2018), (Hidayat & Khotimah, 2022), and Anung et al. (2017), company size has a strong positive impact on company value. This indicates that when a company's size increases, so does its value. Meanwhile, the findings of Manoppo and Arie's (2016) and Purwahandoko's (2017) studies prove that the size of the business has no substantial impact on company value. According to (Sugiyanto & Setiawan, 2019), firm size has a favorable but very little affects on company value.

Along with company size, profitability is also a crucial element in figuring out the value of a company. Businesses that are highly profitable are considered to have better business prospects, making them more attractive to investors. High profitability shows efficiency when handling the resources and capital held by the business, which can ultimately increase stock prices and company value (Sinaga & Oktaviani, 2022). Company profitability is positively and significantly related to its worth. The management of assets for profit shall be influenced by firm value analysis. High profits suggest positive corporate prospects, which can encourage investors to enhance stock demand (Fitiasari & Suwandi, 2020). According to (Kusumaningrum & Iswara, 2022), profitability has a major impact on company value. Meanwhile, considering Thaib and Dewantoro (2017), profitability has a negative and minimal affect on firm value.

This suggests that a company's earnings has no bearing on its overall value. And, considering Anton (2016), profitability has no statistically meaningful impact on company value.

Conversely, however, dividend policy also contributes to attracting investor interest. The dividend scheme establishes the possibility that the business is going to maintain its earnings or give them to partners for future business expansion. Some investors prefer companies that consistently distribute dividends, because they provide certainty of return on investment. However, there are also companies that prefer to retain profits to finance business expansion, which can increase The value of the business in the future (Maryanti et al., 2022). Novien Rialdy's (2018) research indicates that dividend policy has a major impact on company value. Meanwhile, Sarah and Arifin's (2021) research demonstrates that dividend policy has no impact on firm value.

The phenomenon found is the occurrence of profit instability in several raw material sector companies in the period 2019-2023. The following are some data on raw material sector companies listed on the IDX that are experiencing problems with declining company value.

Table 1. Profitability of Basic Materials Companies

KODE	Return on Asset (%)					Average
	2019	2020	2021	2022	2023	
ALDO	8.48	6.85	8.32	4.19	0.14	**5.60**
ANTM	0.64	3.62	5.66	11.4	9.15	**6.09**
CLPI	5.23	5.59	5.54	4.66	6.79	**5.56**
IGAR	9.85	9.13	12.9	11.8	6.23	**9.98**
INTP	6.62	6.61	6.84	7.17	6.58	**6.76**
SMGR	2.97	3.43	2.59	3.01	2.81	**2.96**
WTON	4.94	1.45	0.9	1.81	0.26	**1.87**
MDKI	3.56	4.12	3.94	3.67	4.55	**3.97**

Source: data processed by the author (2025)

Return on assets in basic material sector companies fluctuates, namely up and down every year. Each company experienced a decline in 2020 and 2021 due to the Covid-19 pandemic, the average ROA is still below 10%, the smallest in the WTON company is only 1.87%. This is what caused the author to want to examine the company's value in more depth through examining the return on resources that belong to the business.

Research on the influence of company size, profitability, and dividend policy on firm value has produced mixed and sometimes contradictory findings. These differences in results indicate that these factors may be influenced by various other factors that participate in or even mediate the relationship between the main variables. For example, research by Agung Nurmansyah (2023) shows that company size has a positive effect on corporate governance and firm value, but corporate governance has a negative impact on firm value. This study also found that company size affects firm value through corporate governance. On the other hand, the results of Indriyani's (2021) research show that a company's size possesses no bearing on firm value, while

profitability has a positive effect, and dividend policy possesses no impact on firm value.

Given the differences in findings in previous studies and the importance of the role of company size, profitability, and dividend policy in figuring out company value, this study aims to analyze the effect of company size and profitability on company value with dividend policy as an intervening variable. This study focuses on Basic Materials sector companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2023 period, because this sector faces specific challenges such as commodity price volatility, competition with imported products, and adoption of technology to improve operational efficiency.

By conducting this analysis, it is anticipated that this study will further improve the theory. in the field of financial management and provide insight for investors and company management in making strategic decisions related to dividend policies and increasing company value.

THEORETICAL REVIEW

Gumanti (2012) stated that among the primary strategies for comprehending financial management iss signal theory. Signals are usually defined as signals given by managers to investors. These signals can be observed in various forms, both directly and through deeper study. In this study, company size and profitability are the signals used. The bigger the business size, the simpler it will be to provide signals to the business in obtaining profits from creditors to achieve its goals in the company. If profitability is elevated, The business can make large earnings and is able to provide positive signals to investors or shareholders which can then enhance the business's value.

The Bird in Hand Theory, introduced by Gordon (1963) in the research of Muslimah et al., (2019) claims that current dividend payments are preferred by investors over future profits from rising stock prices, therefore profits received now are considered more certain. (a bird in the hand is worth two in thw bush). In terms of financial decisions, businesses that regularly pay dividends give a good signal to investors, which may enhance the business's value.

According to the residual theory, often known as the residual dividend theory, a company’s internal investment requirements determine its dividend policy. This idea states that a business will only pay dividends to shareholders if there is money left over after all profitable investment requirements have been met. In other words, before choosing to pay dividends, a company’s first goal is to finance investment initiatives with significant profit potential.

Company Values

An organization that manages and combines various resources to produce goods or services for sale is called a company. Company value, whose frequently associated with stock costs, is the evaluation of a business by an investor. Business owners want to see their companies have a high value because it means their shareholders will prosper (Hidayat & Khotimah, 2022).

Considering Harmono (2017:114) signs that have an impact company value is possible with the use of Tobis's Q Analysis additionally referred to as

the Tobin's Q ratio. This ratio illustrates the state of the stock market, which makes it a useful idea to estimation of a potential return upon investment for every penny invested. The ratio is one of the measurement indicators that uses the stock price approach method. In various top management scenarios, the Tobin's Q ratio has been evaluated as one of the metrics for assessing business performance from an investment perspective. Professor James Tobin created the Tobin's Q ratio in 1967. The performance metric called Tobin's Q is computed by comparing two evaluations of the same asset. The market value of a company's assets as determined by the market value of shares and outstanding debt (company value) divided by the expense of replacing those assets is known as Tobin's Q.

Company Size

Company size is the quantity of resources that a business owns. Considering Prasetyorini (2019:186) company size is a measure that allows for the classification of a company's size using a number of criteria, such as stock valuation, log size, total assets, etc. Company size is demonstrated by the sum of all assets that the business has and that are available for utilization during its daily operations. The greater the total assets owned by the company, the greater the size of the company. The amount of cash invested increases with the size of the assets, while the greater the sales, the greater the debt turnover in the business (Sujarweni, 2017:211).

Company size is highly heavily influenced by a company's size, which has an impact on its capital structure and is directly tied to its loanability. Bigger organizations are thought to be less difficult to lend money to due to the worth of the collateralized assets is larger, and there is more lender faith than small companies. According to Halim (2017:125) a corporation is more likely to utilize foreign financing the bigger it is. The reason for this is that big businesses need a lot of money to run, as well as one substitute to fulfilling this is utilize additional funding if their particular funding is insufficient. According to Pantow et al. (2017:963) company size can be proxied by the following formula: Size = Log Natural (Total Asset).

Profitability

This ratio is usually utilized as a taking into account by investors in purchasing stock in a business. If an organization is highly profitable against stock returns, then an investor are going to choose the organization to invest their shares. Large sales and investments are very necessary and impact the size of the profitability ratio, the larger the two operations are run, the greater the profitability ratio, which is the financial ratio that describes profitability. This ratio is useful to analyzes the business's profitability in regard to transactions, equity, as well as total assets. Investors with a long investment history or shareholders are drawn to the profitability ratio, to find out the earnings that will genuinely be distributed as dividends (Sartono, 2011). The better the profitability ratio, the better it is in describing the company's ability to earn profits. This study uses Return On Assets (ROA) as a proxy for the level of

profitability. ROA measures the profitability of all assets, by contrasting the mean total assets with the earnings following taxes. ROA demonstrates the business's capacity to produce revenue from operations based on a particular amount of assets. In the context here, ROA is proxied as follows:
ROA = Profit After Tax / Total Assets.

Dividend Policy

Dividend policy is the portion of profits distributed to investors as dividends in real, keeping the dividend steady over time, distribution of stock dividends and treasuries. Profit-related managerial procedures obtained by the business is often given out as earned profits or dividends within a single year in order to assist with managerial duties (Harmono, 2017:230). If the company decides to distribute the profits obtained as dividends, it will lower the quantity of earned profits that will moreover reduce internal funding sources. Meanwhile, if the business fails to dish out dividends on its earnings, it is going to usually expand the internal funds of the business and it'll enhance the business's capacity for growth (Hemastuti and Hermanto, 2018:4).

The dividend policy in question shall be explained by the Bird in The Hand Theory. The concept was proposed by Myron Gordon and Jhon Litner. With reference to this theory, prices of stocks are positively impacted by dividend policies. This means that if the corporation distributes more dividends, the corporation is going to receive a greater market price, and vice versa. This occurs as a result of dividend distributions' ability to lessen investor uncertainties (Hermastuti and Hermanto, 2018:5). To analyze dividend policy, it might be proxied as follows: DPR = Dividend per share / Earnings Per Share.

The research hypothesis is a short-term assertion about the difficulty of identifying or resolving an issue. What follows is the hypothesis which was used in this investigation.

The Influence of Company Size on Company Value

Company size is a metric that characterizes a company's size and is able to evaluated by the total worth of the business's resources. A significant business size suggests that the enterprise is expanding well. Largely expanding businesses are going to have a less difficult time getting into the financing market for the reason that businesses are seen favorably by investors that generate substantial expansion in order for the favorable reaction to signify a rise in the company's value. (Hendrani et al., 2022).

This assertion is backed up by the signaling theory which states that market price fluctuations shall impact investment choices. The outcomes of earlier research projects carried out by Oktaviany (2019), Hendriana (2022), and Ramadhan (2023) stated that the company size variable has a positive and significant effect on company value. Considering the following statement, the following hypothesis is developed:
H1: Company size has a positive effect on company value.

The Influence of Profitability on Company Value

Profitability is the capacity of the business to produce a net revenue from operations within the accounting cycle. Great profit margins are going to provide a sign of promising business opportunities in order to encourage investors to increase demand for shares. Despite a large number of investors purchasing firm stock, the value of the company's stock is going to rise, thereby increasing the company's value (Prasetyorini, 2013:194).

This assertion is backed up by the signaling theory which demonstrates that market price fluctuations shall impact investment choices. The outcomes of earlier research projects carried out by Dea Putri Ayu et al., (2017), Hendriana (2022), Nawalia (2023), and Ramadhan (2023) stated that profitability has a significant positive effect on company value. Considering the following statement, this hypothesis is put forth:

H2: Profitability has a positive effect on company value.

The Influence of Dividend Policy on Company Value

A company's dividend policy determines how much of its net income is either kept as earned profits or given as dividends to investors to raise funds for future funding for investments. What conditions should occur as a result. The distribution of profits and the time of their retention will be determined by the company's objectives, which include increasing its value. The business's capacity to pay dividends indicates its value. The stock price will be affected by the amount of dividends. Large dividend payments will usually result in high stock prices, which is going to boost the company's value.

According to Wetson and Copeland (1999) in the research of Kuswantoro et al. (2018), the relationship between dividend policy and company value is built on the basis of signaling theory, stating that dividend policy is a policy related to the company's decision on the value of a company, namely income generated in the form of dividends to shareholders or as retained earnings for future investment. Previous research results by Hendriana (2022), Putra and Lestari (2016), and Rachman (2016), stated that dividend policy has a positive effect on company value. Considering the following statement, this hypothesis is put forth:

H3: Company value has a positive effect on dividend policy.

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

The size of a company is also a consideration for shareholders and potential investors to make investments. Businesses with substantial total assets show that they are successful a stage of maturity whereby the organization has a surplus of cash at this point and is regarded as having favorable potential for the future. It is being addressed to by a rise in the value of the company's shares which also leads to a rise in the company's value (Amin et al., 2023).

The results of previous studies conducted by Firmansyah and Suwitho (2017), and Hendriana (2022) domonstrated that company size has a positive

and significant effect on company value with dividend policy as an intervening variable. Considering the following statement, this hypothesis is put forth:
H4: Company size has a positive influence on company value with dividend policy as an intervening variable**.**

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

If the company succeeds in generating profits and providing those profits to its investors, a good market response would furthermore increase the company's value. A successful business makes significant earnings, and financial managers are able to oversee those earnings through prudent financial decision-making, including implementing investment decisions, financing, and dividend policies. As a result, this will receive a favorable response and rise the company's value. Sari et al., (2022) explain that in to attain a high level of corporate value, the company should be able to manage dividend policies better based on the profitability generated.

The outcomes of earlier research carried out by Firmansyah and Suwitho (2017), and Hendriana (2022) stated that profitability has a positive and significant effect on company value with dividend policy as an intervening variable. Considering the following statement, this hypothesis is put forth:
H5: Profitability has a positive influence on company value with dividend policy as an intervening variable.

This study consists of two exogenous variables, one endogenous variable, and one intervening variable as follows:

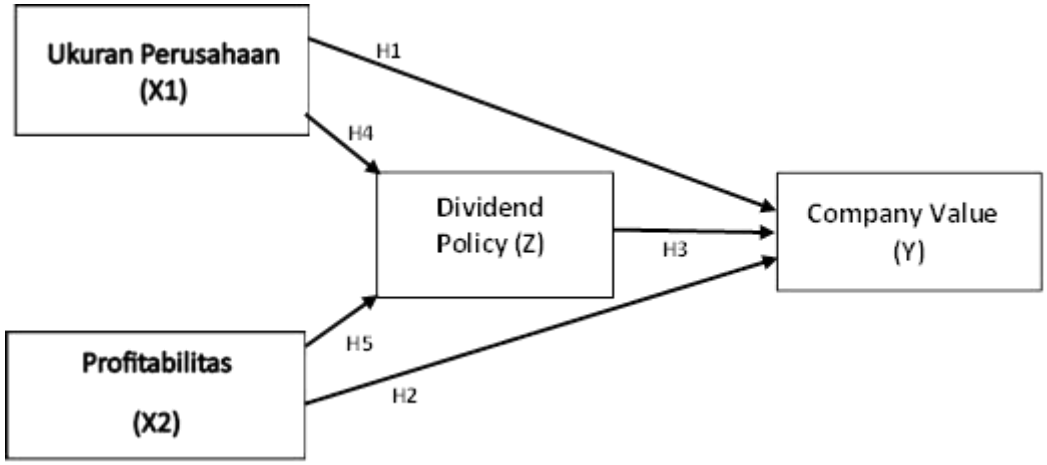

Figure 1. Research Framework
Source : Developed by the authors (2025)

METHODOLOGY

This study employs an associative research design with a quantitative approach. The research focuses on numerical data collection, analysis, and interpretation to examine the relationship between firm size, profitability, dividend policy, and firm value. This study was conducted on companies in the basic materials sector listed on the Indonesia Stock Exchange (IDX) from 2019 to

2023. Data collection and analysis were carried out between September 2024 and completion

This research uses secondary data collection obtained from financial reports and annual reports of companies listed on the IDX. The data sources include: 1) Official IDX Website (www.idx.co.id) 2) Company annual reports 3) Financial statements published from 2019-2023. The population consists of all basic materials sector companies listed on the IDX from 2019 to 2023, totaling 108 companies. This study employs a purposive sampling technique, which involves selecting samples based on specific criteria. The criteria for sample selection are:

Table 2. Sampling criteria

No	Kriteria	Violation	Total
1	Companies listed in the basic materials sector on the IDX	110	**110**
2	Companies that published financial reports consistently between 2019 and 2023	(36)	**74**
3	Companies that do not use foreign currency in financial statements	(34)	**40**
4	Companies that did not experience losses during 2019-2023	(3)	**37**
5	Companies that distributed dividends in 2019-2023	(29)	**8**
Number of Research Samples		**8**	
Number of Observation Data (8 x 5 Years)		**40**	

Source: data processed by the author (2025)

Based on these criteria, the final research sample consists of 8 companies, resulting in 40 total observations (8 companies x 5 years).

The research utilizes quantitative data, which consists of numerical values that can be statistically analyzed. The study employs secondary data obtained from publicly available annual financial reports of companies listed on the IDX. This study includes three main types of variables:

Independent Variables

a) Firm Size (X1): Measured using the natural logarithm of total assets.
b) Profitability (X2**):** Represented by Return on Assets (ROA), calculated as: ROA = Net Income / Total Assets
c) Dependent Variable
d) Firm Value (Y)**:** Measured using Tobin's Q, calculated as: Tobin's Q = (Market Value of Equity + Total Debt) / Total Assets
e) Intervening Variable
f) Dividend Policy (Z): Represented by Dividend Payout Ratio (DPR), calculated as: DPR = Dividend per Share / Earnings per Share

RESULTS

This study consists of four variables: one endogenous variable, two exogenous variables, and one intervening variable. The dependent variable is firm value, while the independent variables are firm size and profitability. Dividend policy serves as the intervening variable. The research sample consists of 40 data points from 8 basic materials sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2023.

The descriptive statistical analysis gives a summary of the dataset by analyzing the mean, standard deviation, minimum, and maximum values of each variable. The findings are listed below:

Table 3. Descriptive Statistics

	Tobin's Q	Firm Size	ROA	DPR
Mean	156.7690	29.25551	5.348598	**50.55909**
Median	71.20500	28.92747	5.083429	**47.27302**
Maximum	568.4100	32.04938	12.85371	**164.9260**
Minimum	2.050000	27.14910	0.138858	**1.542940**
Std. Dev.	180.9491	1.837851	3.140347	**44.15842**
Skewness	1.124705	0.228003	0.445177	**0.964654**
Kurtosis	2.687988	1.362045	2.753260	**3.320852**
Jarque-Bera	8.595332	4.818061	1.422685	**6.375298**
Probability	0.013600	0.089902	0.490985	**0.041269**
Sum	6270.760	1170.220	213.9439	**2022.364**
Sum Sq. Dev.	1276960.	131.7302	384.6093	**76048.66**
Observations	**40**	**40**	**40**	**40**

Source: Processed data (2025)

Panel data regression was employed to examine how the independent and dependent variables related to one another. The model selection process included:

Chow test

To decide if one ought to utilize the Common Effect or Fixed Effect model. The fixed effect approach will be employed if the cross-section chi-square profitability value is less than 0.05, which shows that the fixed effects panel data regression model is better than common effects. The common effect approach will be applied if the cross-section chi-square profitability value is greater than 0.05, which shows that the panel data regression model with common effects is superior to the fixed effect regression model.

Table 4. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	141.152452	(7,30)	**0.0000**
Cross-section Chi-square	**140.978551**	**7**	**0.0000**

Source: Processed data (2025)

A cross-section chi-square probability of 0.0000 < 0.05 is indicated by the Chow test results. approved in light of this data, indicating that fixed effect as opposed to common effect is the proper regression model.

Hausman Test

This test is carried out in order to establish between the fixed effect or random effect model which is more appropriate to use in research. To conduct the Hausman test, the following hypothesis is used. The fixed effect approach will be employed if the cross-section chi-square profitability value is less than 0.05, which demonstrates the superiority of the fixed effects panel data regression model over the random effects. The random effect approach will be applied if the cross-section chi-square profitability is greater than 0.05, which demonstrates that the panel data regression model with random effects is superior to the fixed effect. The test findings are as follows:

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.163438	2	0.9215

Source: Processed data (2025)

The outcomes of the test show the probability of random cross-section of 0.9215 > 0.05. Based on these data, accepted so that the appropriate regression model is random effect.

To ensure the validity of the regression model, the study conducted classical assumption tests, including:

Table 6. Multicollinearity Test

	X1	X2
X1	1	-0.2785417722893718
X2	-0.2785417722893718	1

Source: Processed data (2025)

Multicollinearity Test: No multicollinearity was found among independent variables.

Table 7. Autocorrelation Test

Unweighted Statistics

R-squared	0.425425	Mean dependent var	101.5662
Sum squared resid	144762.9	Durbin-Watson stat	0.260937

Source: Processed data (2025)

Autocorrelation Test: No significant autocorrelation was detected

Table 8. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-704.4123	369.6160	-1.905795	0.0645
X1	27.22267	12.55240	2.168722	0.0366
X2	1.788403	1.934870	0.924302	0.3613

Source: Processed data (2025)

Heteroscedasticity Test: The regression model met the homoscedasticity assumption.

Hypothesis Testing

The t-test was carried out in order to establish the individual influence of independent variables on the dependent variable. The outcomes indicated that:

Table 9. Partial Test (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1601.704	686.2572	-2.333971	0.0253
X1	58.66895	23.24389	2.524059	0.0162
X2	10.05969	2.149747	4.679476	0.0000
Z	-0.231844	0.128292	-1.807154	0.0791

Source: Processed data (2025)

a) Firm size has a significant effect on firm value (p-value = 0.0162 < 0.05).
b) Profitability has a significant effect on firm value (p-value < 0.05).
c) Dividend policy does not significantly affect firm value (p-value > 0.05).

The F test evaluates the formula's significance in order to ascertain the degree to which the independent variables have an impact in this study, namely company size and profitability, together have regarding the dependent variable, specifically company value. With the provision in decision making, namely if the F table exceeds the calculated F with Prob (F-statistic) greater than the degree of significance (Sig> 0.05), then Ho is accepted, consequently, every independent variable simultaneously do not affect the dependent variable. However, the F table value is smaller than the calculated F with Prob (F-statistic) greater than the significance level (Sig <0.05), then Ho is accepted, consequently that all independent variables simultaneously affect the dependent variable.

Table 10. Model Feasibility Test (F-Test)

Weighted Statistics			
Root MSE	22.52671	R-squared	0.567466
Mean dependent var	10.59058	Adjusted R-squared	0.531421
S.D. dependent var	34.68848	S.E. of regression	23.74524
Sum squared resid	20298.11	F-statistic	15.74348
Durbin-Watson stat	1.868156	Prob(F-statistic)	0.000001
Unweighted Statistics			
R-squared	0.448420	Mean dependent var	156.7690
Sum squared resid	704346.1	Durbin-Watson stat	0.053837

Source: Processed data (2025)

The F-test result showed that the independent variables jointly influence the dependent variable (p-value = 0.000001 < 0.05), suggesting that the regression model is significant.

The coefficient of determination is applied to address how much the independent variable influences the dependent variable. The value of this test is interpreted as the proposition and variance of the dependent variable that the dependent variable is able to be clarified through the independent variable by the value of the coefficient of determination. The R2 value is in the interval 0<R<1.

Table 11. Coefficient of Determination (R^2)

Weighted Statistics			
Root MSE	22.52671	R-squared	0.567466
Mean dependent var	10.59058	Adjusted R-squared	0.531421
S.D. dependent var	34.68848	S.E. of regression	23.74524
Sum squared resid	20298.11	F-statistic	15.74348
Durbin-Watson stat	1.868156	Prob(F-statistic)	0.000001
Unweighted Statistics			
R-squared	0.448420	Mean dependent var	156.7690
Sum squared resid	704346.1	Durbin-Watson stat	0.053837

Source: Processed data (2025)

The adjusted R^2 value was 0.5314 (53.1%), suggesting that firm size and profitability explain 53.1% of the variation in firm value, as the remainder of 46.9% is affected by additional factors.

The Sobel test is meant to evaluate the importance of indirectly influence, by using the t value of the exogenous variable coefficient and the mediation variable, the calculated t value is compared with the t table. If the calculated t > t table, consequently, it has been said that there is a mediation effect.

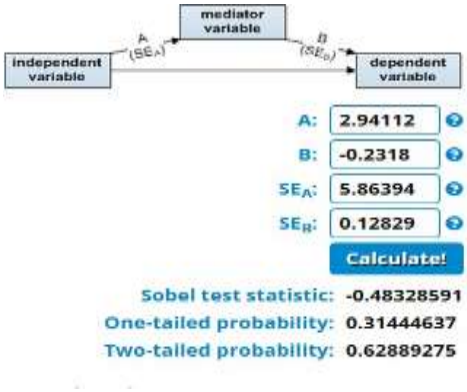

Figure 2. Sobel Test Analysis

Source: Processed data (2025)

The calculation results obtained a p-value of 0.31 greater than the real level or 0.31 > 0.05. Thus, it might be concluded that there is no indirect influence between company size and company value through dividend policy. According to the examination's outcomes above, the policy cannot be a mediator of company size and company value.

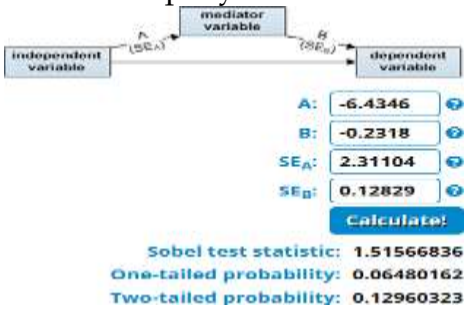

Figure 3. Sobel Test Analysis

Source: Processed data (2025)

The calculation results obtained a p-value of 0.06 greater than the real level or 0.06 > 0.05. Consequently, it may be said that there is no indirect influence between profitability and company value through dividend policy. According to the examination's outcomes above, the policy cannot serve as a go-between from profitability to company value

DISCUSSION

The Influence of Company Size on Company Value.

Firm size (Astuti et al., 2023) implies the size or scope of a business that may be assessed using a number of metrics, including total assets, total sales, market capitalization, or the quantity of workers. In this study, typically, corporate size is calculated by the natural logarithm of total assets (Ln Total Assets) to reduce data skewness. Company size reflects the company's operational capacity, competitiveness, and position in the market.

Based a significance value of 0.0162 <0.05 is obtained, which means that the company size variable partially affects the company's value.

This outcome aligns with studies by (Hidayat & Khotimah, 2022) which states that company size is an important indicator in evaluating the business's capabilities and strengths in the market. Companies with larger sizes tend to have wider access to resources, better financial capabilities, and higher market recognition. This could boost the business's credibility among investors, which is ultimately reflected in a rise in the company's value (Hidayat & Khotimah, 2022).

The Influence of Profitability on Company Value

Obtained a significance value of 0.0000, which falls below the conventional significance degree of 0.05. This shows that the profitability variable has a partial significant effect on company value. Put differently, profitability is one of the important factors that determine company value.

This outcome matches up with the signaling theory which asserts that if profitability is elevated, the company is able to produce large revenues and is able to provide positive signals to investors who are able to increase the company's value (Kartikasari & Kresnawati, 2021).This shows that the profitability variable has a significant effect on company value. This means that the higher the company's profitability level, the greater the company's value. High profitability reflects operational efficiency, investor confidence, and the company's ability to create value for shareholders.

The Influence of Dividend Policy on Company Value

Obtained a significance value of 0.0791, which surpasses the conventional significance degree of 0.05. This shows that the dividend policy variable partially has no significant effect on company value. This means that the company's decision regarding dividend distribution is not the main factor influencing company value.

This outcome matches up with the Dividend Irrelevance Theory suggested by Modigliani and Miller (1961) in (Pranata & Awaludin, 2024). This theory states that in a perfect market, dividend policy does not affect company

value, since the business value is determined by the business's capacity to turn a profit rather than how the earnings are distributed.

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

Considering the outcomes of the Sobel test calculation output, a p-value of 0.31 is obtained, which is greater than the real level or 0.31> 0.05. Thus, it may be said that there is no indirect effect between company size and company value through dividend policy.

According to the outcomes of the aforementioned analysis, dividend policy cannot be an intervening factor from company size to company value where Ho is accepted, Ha is rejected. The role of dividend policy as a mediator is not significant. These results indicate that dividend policy is not strong enough to bridge the relationship between company size and company value. Company size may directly affect company value without relying on dividend policy (Sari et al., 2022).

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

Considering the outcomes of the Sobel test calculation output, a p-value of 0.06 is obtained, which is greater than the real level or 0.06> 0.05. Thus, it may be said that there is no indirect effect between profitability and company value through dividend policy. According to the outcomes of the aforementioned analysis, dividend policy cannot be an intervening factor for profitability on company value where Ho is accepted, Ha is rejected.

The study's findings confirm the irrelevance dividend theory put forward by Modigliani and Miller (1961) in (Sugiarti, 2019), which states that under certain conditions, dividend policy does not affect company value. Therefore, companies should focus more on increasing profitability through operational efficiency, innovation, and strategic investment that can increase company value in the long term.

These outcomes demonstrate that profitability has a direct effect on company value without having to go through dividend policy. This means that investors are primarily concerned with the business's capacity to make money directly than the company's decisions regarding profit distribution. This is in line with the idea that businesses with greater profitability typically have higher company values, regardless of dividend policy.

CONCLUSIONS AND RECOMMENDATIONS

This study highlights the significant role of company size and profitability in influencing firm value, with dividend policy acting as a crucial intervening factor. The findings suggest that firms with larger assets and higher profitability tend to have stronger market valuations, especially when they maintain consistent and strategic dividend policies. However, external economic factors and investor behavior also play a pivotal role in shaping firm value, indicating the need for a more holistic approach in future research.

For practical implications, companies should prioritize sustainable financial strategies by optimizing asset utilization, enhancing profitability, and adopting dividend policies that align with investor expectations. Policymakers and regulators must also consider the broader economic environment to create frameworks that support corporate growth and stability. Future research can further explore the impact of market dynamics, developments in technology, and global economic shifts to offer more profound understanding of firm valuation strategies.

FURTHER STUDY

This research offers information on the impact of company size and profitability on firm value, with dividend policy as an intervening variable in the basic materials sector on the Indonesia Stock Exchange. Further investigations might look into other industries such as manufacturing, financial services, or technology to compare these dynamics, while also considering alternative moderating and mediating variables like corporate governance, leverage, or ownership structure. Additionally, examining the effects of global economic crises, commodity price fluctuations, or government policies could offer valuable perspectives. Employing advanced methodologies such as Structural Equation Modeling (SEM) or Machine Learning can improve predictive accuracy, while a qualitative approach in behavioral finance could help understand investor perceptions regarding company size, profitability, and dividend policy. Exploring these areas will contribute to financial literature and support firms in making strategic decisions to enhance their value.

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