
**INFLUENCE OF CAPITAL STRUCTURE, LIQUIDITY, AND PROFITABILITY
ON FIRM VALUE WITH DIVIDEND POLICY AS AN INTERVENING
VARIABLE IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA
STOCK EXCHANGE**

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Abstract

This study aims to address this gap by analyzing the effect of capital structure, liquidity, and profitability on firm value, with dividend policy as a mediating variable, focusing on manufacturing companies listed on the IDX in 2023 and 2024. This quantitative study uses secondary data from the Indonesia Stock Exchange and official company websites. The data consist of financial statements from manufacturing companies listed on the IDX during 2023–2024. Samples were selected through purposive sampling with these criteria: listed during 2023–2024, distributed dividends, and had accessible financial reports. Based on the analysis of manufacturing companies listed on the Indonesia Stock Exchange in 2023–2024, capital structure, liquidity, and profitability each significantly affect dividend policy, where sound capital structure, strong liquidity, and high profitability support greater dividend distribution. Liquidity and profitability also have a direct positive impact on firm value, while capital structure negatively affects it due to financial risk. Dividend policy significantly enhances firm value by signaling stability to investors. Furthermore, dividend policy mediates the relationship between liquidity and firm value, but it does not mediate the effects of capital structure or profitability on firm value.

Keywords: Capital Structure, Liquidity, Profitability, Dividend Policy, Firm Value

INTRODUCTION

In an increasingly competitive business environment, firm value has become a key indicator of a company's performance and attractiveness to investors. A high firm value reflects strong investor confidence and future growth potential. To enhance firm value, management must effectively manage core financial aspects such as capital structure, liquidity, profitability, and dividend policy.

Capital structure—the mix between debt and equity financing—plays a crucial role in determining both the risk profile and profitability of a firm. According to the Trade-Off Theory, firms balance the benefits of debt tax shields with the costs of potential financial distress, while the Pecking Order Theory suggests that firms prefer internal financing over external debt or equity. Despite its importance, empirical findings on the relationship between capital structure and firm value remain inconclusive. Some studies report a positive effect, while others find no significant impact (Hamidy, Wiksuana, & Artini, 2015; Wulandari & Damayanti, 2022).

Liquidity, which represents a firm's ability to meet short-term obligations, also shows mixed results in prior research. The Liquidity Preference Theory (Keynes) suggests that investors and firms value liquidity due to uncertainty, but excessive liquidity may imply inefficient asset utilization. Some studies show a negative correlation between liquidity and profitability, while others show a positive link (Velita, Siahaan, Jubi, & Ervina, 2019; Wulandari & Damayanti, 2022).

Dividend policy further adds complexity. As per the Signaling Theory, dividends convey management's confidence in future earnings, and the Bird-in-Hand Theory posits that investors prefer certain dividend payouts over uncertain future capital gains. However, empirical studies offer conflicting evidence, with some suggesting dividends have an insignificant impact on firm value (Anindya & Muzakir, 2023).

Profitability plays a central role in this context. It serves not only as a determinant of firm value but also as a possible bridge linking capital structure, liquidity, and dividend policy to firm value. Despite various studies exploring the direct effects of these variables, few have examined how dividend policy might mediate the relationship between internal financial factors and firm value. Considering dividends may serve as an indirect transmission mechanism (e.g., liquidity → dividend → value), this potential mediation warrants further investigation.

The manufacturing sector is particularly relevant for this study. It is a capital-intensive industry, heavily reliant on debt financing, and often faces working capital challenges due to inventory cycles, making liquidity management crucial. Furthermore, dividend behavior among Indonesian manufacturing firms remains diverse—some prioritize consistent payouts, while others focus on reinvestment. The sector contributed 4.64% to Indonesia's national GDP in 2023, highlighting its macroeconomic importance. However, it also faced volatility in profitability and stock performance due to global economic pressures, supply chain disruptions, and rising input costs. These dynamics create a compelling context for analyzing financial decision-making and firm value in this sector.

Lastly, the choice of 2023–2024 as the observation period is intentional. This timeframe captures the post-pandemic recovery phase and recent regulatory shifts by the Indonesia Stock Exchange (IDX) that may influence corporate behavior, especially in terms

of dividend distributions and capital allocation strategies. Therefore, this study seeks to fill the research gap by examining the effect of capital structure, liquidity, and profitability on firm value—while testing the mediating role of dividend policy—among manufacturing companies listed on the IDX during the 2023–2024 period.

RESEARCH METHOD

This research is a quantitative study that utilizes secondary data obtained from the Indonesia Stock Exchange (IDX) and the official websites of the companies. The data consists of annual financial statements of manufacturing companies listed on the IDX for the 2023–2024 period. In cases where data were missing or incomplete, companies were excluded from the sample to maintain data integrity and consistency.

Population and Sample

The population in this study includes all manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2024 period. The sampling technique used is purposive sampling, with the following criteria:

1. Manufacturing companies listed on the IDX during the 2023–2024 period;
2. Companies that distributed dividends to shareholders during that period;
3. Companies whose complete annual financial reports are publicly accessible through www.idx.co.id or the respective company websites.

A total of 77 manufacturing companies met these criteria and were included in the analysis.

Variable Measurement

The variables in this study are measured as follows:

- Capital Structure (X_1): Measured using the Debt to Equity Ratio (DER)
- Liquidity (X_2): Measured using the Current Ratio (CR)
- Profitability (X_3): Measured using Return on Assets (ROA)
- Firm Value (Y): Measured using Price to Book Value (PBV)
- Dividend Policy (Z): Measured using Dividend Payout Ratio (DPR)

Data Analysis Techniques

Prior to hypothesis testing, classical assumption tests were conducted, including:

- Normality test
- Multicollinearity test
- Autocorrelation test
- Heteroscedasticity test
- Linearity test

Then, path analysis was performed to analyze both direct and indirect effects. Path analysis follows Ghozali (2018), which allows the testing of both simultaneous and partial effects of independent variables on the dependent variable.

The model includes two regression equations:

- Equation 1 (Mediator/DPR):
$$Z = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$
- Equation 2 (Dependent Variable/PBV):
$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4Z + e$$

Mediation Analysis

To test the mediating effect of dividend policy, this study adopts the Baron and Kenny (1986) procedure. Additionally, the Sobel test is conducted to assess the significance of the mediation path.

Statistical Tests

The following statistical tests are performed using IBM SPSS version 27:

- Multiple correlation coefficient (R): to measure the strength of the relationship between independent and dependent variables.
- Coefficient of determination (R²): to determine how much variation in the dependent variable can be explained by the model.
- F-test (simultaneous significance): to evaluate the joint effect of independent variables.
- t-test (partial significance): to evaluate the individual contribution of each variable.

Robustness Checks

Given the potential issue of endogeneity, lagged independent variables are considered in alternative regression models as a robustness check to ensure the stability of findings and reduce omitted variable bias.

Ethical Considerations

This study fully complies with the Indonesia Stock Exchange (IDX) data-use policies. All data used are publicly available and cited responsibly in accordance with ethical research standards.

RESULTS AND DISCUSSION

Classic Assumption Test

Normality Test

The results of the normality test calculation can be seen in tables 1 :

Table 1
Normality Test

Model	N	Mean	Std. Deviation	Z K-S	Sig. (2-tailed)
1	151	0.0000000	0.32071937	0.051	0.200
2	151	0.0000000	0.18008631	0.069	0.076

Source: Processed Data, 2025

The Kolmogorov-Smirnov test shows that Model 1 (Sig. = 0.200) and Model 2 (Sig. = 0.076) both exceed the 0.05 threshold, indicating normally distributed residuals. Thus, the normality assumption is met for both regression models.

Multicollinearity Test

Table 1
Multicollinearity Test

Model	Variable	Tolerance	VIF
1	Capital Structure	0.579	1.726
	Liquidity Level	0.581	1.721
	Profitability	0.994	1.006
2	Capital Structure	0.452	2.212
	Liquidity Level	0.506	1.977

Profitability	0.899	1.112
Dividend Policy	0.732	1.367

Source: Processed Data, 2025

Based on Table 2, based on the tolerance values (> 0.10) and VIF values (< 10) in both models, there is no multicollinearity among the independent variables. The regression models satisfy this classical assumption.

Autocorrelation Test

To determine the presence or absence of autocorrelation, use the Durbin-Watson test. The autocorrelation test results can be seen in Table 2 as follows:

Tabel 5

Autocorrelation Test

Model	Std. Error of the Estimate	Durbin-Watson
1	.36107	1.290
2	.25578	1.310

Source: Processed Data, 2025

Using the Durbin-Watson test, values of 1.290 (Model 1) and 1.310 (Model 2) fall between the lower ($dl = 1.7886$) and upper ($du = 1.6800$) bounds, suggesting no positive autocorrelation in the residuals.

Heteroscedasticity Test

The Glejser Test can be used to predict the presence or absence of heteroscedasticity in a model. The results of the heteroscedasticity test with the Glejser test can be seen in Table 6:

Tabel 6

Heteroskedasticity Test

Model	Variable	t	Sig
1	Capital Structure	-.306	.760
	Liquidity Level	-.381	.704
	Profitability	-.466	.642
2	Capital Structure	1.009	.314
	Liquidity Level	-.216	.829
	Profitability	-1.632	.105
	Dividend Policy	-.179	.858

Source: Processed Data, 2025

The Glejser test results show all Sig. values > 0.05 for both models, indicating no heteroscedasticity and supporting the homoscedasticity assumption.

Linearity Test

The results of the Linearity test calculation of Equations Model 1 and 2 can be seen in Table 7:

Tabel 7
Result of Linearity Test

Model	Variable	Linearity Sig	Description
1	Dividend Policy*Capital Structure	0.821	
	Dividend Policy*Liquidity Level	0.279	Linier
	Dividend Policy*Profitability	0.304	
	Dividend Policy*Firm Value	0.155	
2	Firm Value*Capital Structure	0.458	
	Firm Value*Liquidity Level	0.108	Linier
	Firm Value*Profitability	0.589	

Source: Processed Data, 2025

Based on Table 7, the results of the linearity test indicate that all variables in the regression model have a linear relationship. All Sig. values for the interaction terms exceed 0.05, indicating that the relationships between the variables in both models are linear.

Statistical Analysis

Path Analysis

Path analysis is carried out to estimate the causal relationship between variables (causal model) that have been predetermined based on theory. This analysis is an extension of multiple linear analysis. The results of the path analysis test of models 1 and 2 can be seen in Table 8 below:

Tabel 8
Path Test Results Model 1

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.267	.133		-2.017	.046
	Capital Structure	-.595	.092	-.597	-6.439	.000
	Liquidity Level	1.307	.279	.433	4.676	.000
	Profitability	.303	.077	.279	3.944	.000

Dependent Variable: Dividend Policy

Source: Processed Data, 2025

Model 1:

$$Z = -0,267 - 0,595X_1 + 1,307X_2 + 0,303X_3$$

From the results of the path analysis test of model 1, it can be explained as follows:

- Capital Structure (X1) negatively affects Dividend Policy (Z), consistent with Trade-Off Theory: firms with higher debt prioritize debt payments over dividends.
- Liquidity (X2) and Profitability (X3) positively affect Dividend Policy, implying that more liquid and profitable firms have greater capacity to pay dividends.

The results of the path analysis test of equation 2 can be seen in Table 11 below:

Tabel 9
Path Test Results Model 2

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.603	.139		-4.322	.000
	Capital Structure	-.421	.109	-.412	-3.872	.000
	Liquidity Level	.677	.311	.219	2.180	.031
	Profitability	.224	.084	.202	2.669	.008
	Dividend Policy	-.588	.086	-.575	-6.873	.000

Dependent Variable: Firm Value

Source: Processed Data, 2025

Equation 2:

$$Y: -0,603-0,421X_1+0,677X_2+0,224X_3-0,588Y_1$$

From the results of the path analysis test of regression equation 2, it can be explained as follows:

- Capital Structure negatively affects Firm Value, suggesting that excessive leverage may deter investor confidence (Agency Theory).
- Liquidity and Profitability positively influence Firm Value, as financially stable firms are viewed favorably by investors.
- Dividend Policy has a negative effect on Firm Value, potentially signaling financial distress or reduced growth capital (Signaling and Agency Theories).

Mediation Analysis

Following the Baron & Kenny (1986) framework:

Capital Structure → Dividend Policy → Firm Value

- Direct effect: -0.412; Indirect effect: $-0.595 \times -0.575 = 0.342$; Total effect: -0.070.
- Since the direct effect remains stronger and negative, dividend policy does not mediate this relationship.
- Possible explanation: Post-pandemic Indonesian firms may use debt conservatively, limiting its impact on dividends and indirectly on firm value.

Liquidity → Dividend Policy → Firm Value

- Direct effect: 0.219; Indirect effect: $0.433 \times -0.575 = 0.249$; Total effect: 0.467.
- Since the indirect effect exceeds the direct effect, dividend policy does mediate this relationship.

Profitability → Dividend Policy → Firm Value

- Direct effect: 0.202; Indirect effect: $0.279 \times -0.575 = -0.160$; Total effect: 0.042.
- As the direct effect is stronger, dividend policy does not mediate this relationship.
- Interpretation: Highly profitable firms may retain earnings for reinvestment, aligning with the Pecking Order Theory.

Correlation Coefficient Analysis (R)

The results of the correlation coefficient (R) test are used to test the associative hypothesis, namely, the relationship between variables in the population through data on the relationship of variables in the sample. The results of the calculation of the coefficient of model 1 can be seen in Table 10 below:

Table 10
Correlation Coefficient Test Results (R) Model 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.518 ^a	.268	.254	.36107

a. Predictors: (Constant), Profitability, Liquidity Level, Capital Structure
Source: Processed Data, 2025

Based on the results of the multiple correlation coefficient (R) test indicate that Capital Structure, Liquidity, and Profitability explain 26.8% of the variation in Dividend Policy. The results of the correlation coefficient (R) test of model 2 in Table 11 are as follows:

Table 11
Correlation Coefficient Test Results (R) Equation 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.502 ^a	.252	.231	.37471

Predictors: (Constant), Firm Value, Profitability, Liquidity Level, Capital Structure
Source: Processed Data, 2025

Based on the results of the multiple correlation coefficient (R) test in Table 11, it shows that the same variables (through Dividend Policy) explain 25.2% of the variation in Firm Value.

Analysis of the Coefficient of Determination R^2

Based on Table 10, the R^2 value of 0.268 indicates that Capital Structure, Liquidity, and Profitability influence Dividend Policy by 26.8%, while the remaining 73.2% is influenced by other variables. Based on Table 11, the R^2 value of 0.252 shows that these variables affect Firm Value through Dividend Policy by 25.2%, with 74.8% explained by other factors.

Statistical Test F

The simultaneous influence test is used to determine whether the independent variables together influence the dependent variable. The results of the simultaneous influence test (F test) of equation 1 can be seen in Table 12 below:

Table 12
Statistical Test Results F Model 1

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.033	3	2.344	17.981	.000 ^b
	Residual	19.165	147	.130		
	Total	26.198	150			

a. Dependent Variable: Dividend Policy
b. Predictors: (Constant), Profitability, Liquidity Level, Capital Structure
Source: Processed Data, 2025

The results of the simultaneous effect test (F-test) of model 2 can be seen in Table 13 below:

Table 13
Statistical Test Results F Model 2

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.898	4	1.724	12.282	.000 ^b
	Residual	20.499	146	.140		
	Total	27.397	150			

a. Dependent Variable: Firm Value

b. Predictors: (Constant), Dividend Policy, Profitability, Liquidity Level, Capital Structure

Source: Processed Data, 2025

The ANOVA test results from both Table 12 and Table 13 demonstrate significant simultaneous effects of the independent variables on both the intervening and dependent variables. Based on Table 12, the independent variables jointly have a significant influence on the intervening variable, Dividend Policy, as evidenced by the calculated F value of 17.981 exceeding the F table value of 2.666 ($F_{\text{calculated}} 17.981 > F_{\text{table}} 2.666$), with a significance value of $0.000 < 0.05$, indicating that Capital Structure, Liquidity Level, and Profitability together significantly influence Dividend Policy. Similarly, Table 13 reveals that the independent variables, through the intervening variable, have a significant influence on the dependent variable, Firm Value, with the calculated F value of 12.282 surpassing the F table value of 2.433 ($F_{\text{calculated}} 12.282 > F_{\text{table}} 2.433$) and a significance value of $0.000 < 0.05$, confirming that Capital Structure, Liquidity Level, and Profitability, through Dividend Policy as an intervening variable, jointly have a significant influence on Firm Value. These consistent findings with significance values below 0.05 in both models validate the research framework and demonstrate that the proposed theoretical model effectively explains the relationship between corporate financial variables and firm value through dividend policy as a mediating mechanism.

Statistical Test T

The partial test (t-test) is conducted to examine the effect of each independent variable individually (partially) on the dependent variable. The results of the partial test for Equation 1 are as follows:

Tabel 14
Statistical Test Results T Model 1

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.267	.133		-2.017	.046
	Capital Structure	-.595	.092	-.597	-6.439	.000
	Liquidity Level	1.307	.279	.433	4.676	.000
	Profitability	.303	.077	.279	3.944	.000

a. Dependent Variable: Dividend Policy

Source: Processed Data, 2025

Based on Table 14 showing the effect of each variable—Capital Structure, Liquidity Level, and Profitability—on Dividend Policy, the results are as follows:

- a. Capital Structure on Dividend Policy. The significance level for Capital Structure is $0.000 < 0.05$, and the t-count value is $-6.439 > 1.97623$, which means that Capital Structure has a significant partial effect on Dividend Policy. Therefore, H_a is accepted and H_0 is rejected
- b. The significance level for Liquidity Level is $0.000 < 0.05$, and the t-count value is $4.676 > 1.97623$, which means that Liquidity Level has a significant partial effect on Dividend Policy. Therefore, H_a is accepted and H_0 is rejected.
- c. The significance level for Profitability is $0.000 < 0.05$, and the t-count value is $3.944 > 1.97623$, which means that Profitability has a significant partial effect on Dividend Policy. Therefore, H_a is accepted and H_0 is rejected.

The results of the partial influence test (T-test) of model 2 can be seen in Table 15 below:

Tabel 15
Statistical Test Results T Model 2

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.603	.139		-4.322	.000
	Capital Structure	-.421	.109	-.412	-3.872	.000
	Liquidity Level	.677	.311	.219	2.180	.031
	Profitability	.224	.084	.202	2.669	.008
	Dividend Policy	-.588	.086	-.575	-6.873	.000

a. Dependent Variable: Firm Value

Source: Processed Data, 2025

Based on table 15, showing the effect of each variable—Capital Structure, Liquidity Level, and Profitability—on Firm Value with Dividend Policy as an intervening variable, the results are as follows:

- a. The significance level for Capital Structure is $0.000 < 0.05$, and the t-count value is $-3.872 > 1.97635$, which means that Capital Structure has a significant partial effect on Firm Value with Dividend Policy as an intervening variable. Therefore, H_a is accepted and H_0 is rejected.
- b. The significance level for Liquidity Level is $0.031 < 0.05$, and the t-count value is $2.180 > 1.97635$, which indicates that Liquidity Level has a significant partial effect on Firm Value with Dividend Policy as an intervening variable. Therefore, H_a is accepted and H_0 is rejected.
- c. The significance level for Profitability is $0.008 < 0.05$, and the t-count value is $2.669 > 1.97635$, which indicates that Profitability has a significant partial effect on Firm Value with Dividend Policy as an intervening variable. Therefore, H_a is accepted and H_0 is rejected.
- d. The significance level for Dividend Policy is $0.000 < 0.05$, and the t-count value is $-6.873 > 1.97635$, which shows that Dividend Policy has a significant partial effect on Firm Value. Therefore, H_a is accepted and H_0 is rejected.

The Effect of Capital Structure on Dividend Policy

The results of the analysis using SPSS indicate that capital structure has a significant effect on dividend policy. The significance value obtained was 0.000 (sig. < 5%), supporting the hypothesis that capital structure influences the dividend policy adopted by firms. This finding is reinforced by a study conducted by Ayu, Uttari, & Yadnya (2018), which also found a significant relationship between capital structure and dividend policy. However, this contradicts the findings of Fajariani (2022), who concluded that capital structure does not significantly affect dividend policy.

The Effect of Liquidity Level on Dividend Policy

The SPSS analysis results show that the liquidity level significantly affects dividend policy, with a significance value of 0.000 (sig. < 5%). This finding supports the hypothesis stating that a company's liquidity level influences the dividends distributed. This is consistent with the research by Rahmasari, Suryani, & Oktaryani (2019), which concluded that liquidity has a positive effect on dividend policy.

The Effect of Profitability on Dividend Policy

The analysis also confirms that profitability significantly affects dividend policy, as evidenced by the significance value of 0.000 (sig. < 5%). This supports the hypothesis that profitability influences the firm's dividend distribution. This finding is supported by Puspitaningtyas et al. (2019), who found that higher profitability leads to higher dividends for shareholders.

The Effect of Capital Structure on Firm Value

The SPSS analysis results demonstrate that capital structure significantly influences firm value, with a significance value of 0.000 (sig. < 5%). This confirms the hypothesis that capital structure affects firm value. This finding is consistent with the study by Utami (2019), which found that capital structure has a positive and significant effect on firm value in retail subsector companies. Excessive debt usage tends to lower investor confidence, thereby reducing firm value.

The Effect of Liquidity Level on Firm Value

The analysis further reveals that the liquidity level has a significant effect on firm value, as shown by the significance value of 0.031 (sig. < 5%). This supports the hypothesis that liquidity influences firm value. This result is in line with the findings of Bitu, Hermuningsih, & Maulida (2021), who stated that liquidity positively and significantly affects firm value. An increase in liquidity indicates a stronger ability to meet obligations, thereby attracting investor interest.

The Effect of Profitability on Firm Value

SPSS results also show that profitability significantly affects firm value, with a significance level of 0.008 (sig. < 5%). This finding supports the hypothesis that profitability influences firm value. The study by Sutarna & Lisa (2018) supports this result, explaining that high profitability indicates good future prospects, which can attract investors and increase share demand—ultimately leading to a higher firm value.

The Effect of Dividend Policy on Firm Value

The results of the analysis confirm that dividend policy significantly affects firm value, with a significance value of 0.000 (sig. < 5%). This finding supports the hypothesis that dividend policy influences firm value. It aligns with the research Prastuti & Sudiarta

(2016), which found that dividend policy has a positive and significant influence on the firm value of manufacturing companies.

The Effect of Capital Structure on Firm Value with Dividend Policy as an Intervening Variable

It is known that the direct effect of Capital Structure on Firm Value is -0.412. Meanwhile, the indirect effect of Capital Structure on Firm Value through Dividend Policy is calculated by multiplying the beta coefficient of Capital Structure on Dividend Policy with the beta coefficient of Dividend Policy on Firm Value, which is $-0.595 \times (-0.575) = 0.342$. Therefore, the total effect of Capital Structure on Firm Value is the sum of the direct and indirect effects, namely $(-0.412) + 0.342 = -0.070$. Based on this calculation, it can be seen that the direct effect (-0.412) is greater in absolute terms than the indirect effect (0.342). This result indicates that Dividend Policy does not mediate the effect of Capital Structure on Firm Value. This finding is consistent with the research conducted by Khoiroh & Subardjo (2020), which concluded that capital structure does not influence firm value through dividend policy. This study suggests that the magnitude of a company's capital structure does not affect its dividend policy, although it may still have an impact on firm value.

The Effect of Liquidity Level on Firm Value with Dividend Policy as an Intervening Variable

It is known that the direct effect of Liquidity Level on Firm Value is 0.219. Meanwhile, the indirect effect through Dividend Policy is obtained by multiplying the beta coefficient of Liquidity Level on Dividend Policy with the beta coefficient of Dividend Policy on Firm Value, which is $-0.433 \times (-0.575) = 0.249$. Thus, the total effect of Liquidity Level on Firm Value is $0.219 + 0.249 = 0.467$. From this calculation, it is evident that the indirect effect (0.249) is greater than the direct effect (0.219). This result indicates that Dividend Policy mediates the effect of Liquidity Level on Firm Value. This finding is in line with the study by Indrawaty & Mildawati (2018), which found that dividend policy is able to mediate the relationship between liquidity and firm value. High liquidity indicates that a company is capable of meeting its obligations using internal funds.

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

It is known that the direct effect of Profitability on Firm Value is 0.202. Meanwhile, the indirect effect through Dividend Policy is obtained by multiplying the beta coefficient of Profitability on Dividend Policy with the beta coefficient of Dividend Policy on Firm Value, which is $0.279 \times (-0.575) = -0.160$. Hence, the total effect of Profitability on Firm Value is $0.202 + (-0.160) = 0.042$. Based on the above calculation, the direct effect (0.202) is greater than the indirect effect (-0.160). Therefore, it can be concluded that Dividend Policy does not mediate the effect of Profitability on Firm Value. This is supported by the study of Novizar, Astuty, & Dahrani (2023), which found that dividend policy cannot mediate the relationship between profitability and firm value. In other words, the presence of dividend policy does not strengthen the effect of profitability on firm value.

CONCLUSION

Based on the results of data analysis, it can be concluded that capital structure, liquidity, and profitability have a significant influence on dividend policy. Capital structure

negatively affects firm value, while liquidity and profitability have a positive impact. Dividend policy also has a significant effect on firm value, reflecting financial stability and strong performance. However, dividend policy does not mediate the relationship between capital structure and firm value, nor between profitability and firm value. On the other hand, dividend policy does mediate the relationship between liquidity and firm value.

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