

# The Influence of Dividend Policy, Company Size, and Managerial Ownership on Company Value Mediated by Profitability in Non-Cyclical Consumer Companies Listed on the Indonesia Stock Exchange (BEI)

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## KEYWORDS

Firm Value, Dividend Policy, Firm Size, Managerial Ownership, Profitability.

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## ABSTRACT

The research aims to analyze the effect of dividend policy, company size, and managerial ownership on firm value, as well as analyze the effect of dividend policy, company size, and managerial ownership on profitability in consumer non-cyclical companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This study also aims to analyze the effect of dividend policy, company size, and managerial ownership on company value, which is mediated by profitability in consumer non-cyclical companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This study used a purposive sampling method. The data used is secondary data obtained from the Indonesia Stock Exchange for consumer non-cyclical companies for the 2018-2022 period. This study uses dividend policy, firm size, and managerial ownership as independent variables, firm value as the dependent variable, and profitability as a mediating variable. The analysis was carried out using the panel data regression analysis method using panel data processed with Econometric Views (EViews) Ver 10. The results of this study prove that company size and profitability have a positive effect on firm value. Dividend policy and managerial ownership do not affect firm value. Dividend policy, firm size, and managerial ownership do not affect profitability, and profitability is unable to mediate the relationship between dividend policy, firm size, and managerial ownership on firm value.

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## 1. Introduction

The highest income in Indonesia comes from tax revenue. The level of tax revenue determines the state budget for financing public expenditures. Therefore, taxpayers and entities must be aware of their tax obligations. However, optimizing tax revenue for the government contradicts the interests of taxpayers, especially corporations. For companies, the tax expenses they pay do not directly benefit

them but instead act as a tax burden that reduces their income or corporate cash surplus. Consequently, corporate management makes efforts to minimize the tax burden to increase net profit after taxation (Sonia & Suparmun, 2019).

The global business competition demands that every company maximize its corporate value to ensure its survival and competitiveness, with the hope of sending positive signals to investors for investment. Companies have two objectives: short-term objectives aim to utilize all available resources to maximize profits, while long-term objectives aim to maximize corporate value (Wijayaningsih & Yulianto, 2021). Companies also always aim to increase their corporate value, as this influences investor decisions. Corporate value has become increasingly essential and garners attention from investors and other stakeholders. In the era of globalization, economic growth has intensified competition, prompting various companies to enhance their corporate value to attract investors and other stakeholders (Akhmadi, Mulyani, & Noviansyah, 2022).

Numerous studies have been conducted to examine the factors influencing corporate value. Factors considered in this research include dividend policy, company size, managerial ownership, and profitability. Profitability is desirable to shareholders because it measures how effectively a company can generate expected profits, making shareholders more inclined to invest their capital, and the amount of capital invested reflects the company's returns (Jusriani & Rahardjo, 2013).

Markets and investors can find information about a company's situation and prospects in dividend policies. The company's dividend policy serves as a means to provide information to the market or investors regarding the company's financial condition. Signalling theory suggests that an increase in dividend payments by a company to investors is considered good news because it signifies that the company's financial condition and prospects are favourable, resulting in a positive response from investors (Monoarfa, 2018). Company size is a factor that needs to be considered in enhancing corporate value. More significantly, well-established companies are generally viewed positively by investors, who believe that such companies can increase corporate value (Chabachib, Hersugondo, Ardiana, & Pamungkas, 2020).

The relationship between managerial ownership and corporate value is a complex and debated topic in corporate management and finance literature. In general, managerial ownership refers to the extent to which managers or top executives hold shares or equity in the companies they manage. Empirical findings in corporate finance indicate that corporate value is positively correlated with managerial ownership within specific ownership ranges and then becomes negatively correlated outside those ranges (Fabisik, Fahlenbrach, Stulz, & Taillard, 2021).

The research results of (2021) indicate that dividend policy has a negative and insignificant impact on corporate value, while the research (Jusriani & Rahardjo, 2013) shows that dividend policy does have an impact on corporate value. (Monoarfa, 2018) research indicates that company size is considered to affect corporate value. In this regard, the larger the company's size or scale, the easier it is to obtain funding, both internally and externally. However, the research conducted by (Endri & Fathony, 2020) suggests that company size does not affect corporate value. (Endri & Fathony, 2020) research state that company size does not affect corporate value, which may be due to suboptimal asset management within the company, implying that larger companies do not guarantee greater profits compared to companies with smaller assets.

The research conducted by (2023) shows that managerial ownership does not influence corporate value, while the research by (2023) indicates that managerial ownership has a negative impact on corporate value. This could be because higher managerial ownership tends to lead managers to behave opportunistically, prioritizing personal gains. Consumer non-cyclical companies in Indonesia have experienced positive growth due to economic growth. Increased economic growth in Indonesia has improved people's welfare, leading to increased demand. This creates opportunities for the growth of consumer goods consumption, which, in turn, drives the growth of consumer goods

production. Sustained positive growth in consumer goods will undoubtedly help increase investment value in this sector, subsequently boosting corporate value.

One of the most famous consumer product companies, Unilever, has 400 brands worldwide. Products from large multinational corporations often reach global markets, including Indonesia. A leading producer of ice cream, food, personal care, and household care products in Indonesia is a large FMCG (Fast Moving Consumer Goods) company with reliable products. Like other industries, the beginning of 2022 was met with optimism. UNVR stock prices touched 8000/lot at the start of 2021 but declined throughout the year. The company's performance, as seen through its financial reports, negatively affected investor sentiment, and currently, UNVR stock prices are on the decline. The EPS ratio can be used to assess how well a company can provide returns to shareholders for each share they own. EPS is usually directly proportional to revenue, meaning that if a company earns a substantial income, its EPS will be high, and conversely if EPS has a high value, the company's revenue is significant. UNVR's EPS experienced a significant decline over three years, with EPS at 1194.89 in 2018, 972.74 in 2019, 188.02 in 2020, and 114.93 in 2021 (Q3-2021). EPS is influenced by the profits obtained and the number of shares outstanding in each company (Putri, 2022). Due to the varying research results regarding the impact of dividend policy, company size, and managerial ownership on corporate value mediated by profitability, further research is needed. This study examines consumer non-cyclical companies in the period 2018-2022. Therefore, this research is titled "The Influence of Dividend Policy, Company Size, Managerial Ownership on Corporate Value mediated by Profitability in Consumer Non-Cyclicals Companies Listed on the Indonesia Stock Exchange (BEI)."

### **Influence of Dividend Policy on Firm Value**

Previous research by (Endri & Fathony, 2020), (Rahmawati & Garad, 2023), (Jusriani & Rahardjo, 2013), and Santosa et al. (2020) suggests that dividend policy has a positive and significant impact on firm value. This aligns with the (Kusumawati & Harijono 2021) study, which also found a positive and significant relationship between dividend policy and firm value. This outcome is consistent with the bird in the hand theory, where higher dividends distributed by a company lead to higher firm value. Additionally, investors prefer companies that pay dividends as a return on their investments. This result is in line with the signalling theory, which suggests that companies with high dividend payout ratios signal trustworthiness to investors, leading to higher investor confidence.

Research conducted by (Putri & Wiksuana, 2021) indicates that dividend policy has a negative and nonsignificant impact on firm value. The distribution of dividends by a company is one of the factors considered by investors when investing their capital. A decrease in dividends can lead to an increase in firm value, possibly because low dividend payments strengthen the company's internal funds as retained earnings increase, thereby improving the company's performance and ultimately increasing its value. Therefore, the research hypothesis is as follows:

H1: Dividend policy significantly influences firm value.

### **Influence of Company Size on Firm Value**

Research findings from (Alarussi & Alhaderi, 2018), (Dang, Nguyen, & Tran, 2020), and (Monoarfa, 2018) show that company size has a positive and significant impact on firm value. This aligns with research conducted by (Chabachib et al., 2020), which found that larger companies, measured by their wealth, tend to have good operational performance and are considered stable. This is consistent with the signalling theory, where increased company reliability is interpreted as a positive signal to investors about the company's prospects. Increased investor confidence and interest lead to higher stock prices, ultimately increasing firm value.

Findings from (Endri & Fathony, 2020) and (Delfi Safitri, 2022) indicate that company size does not influence firm value, while research by (Hirdinis, 2019) and (Susanti & Restiana, 2018) suggests

that company size has a negative and significant impact on firm value. Therefore, the research hypothesis is as follows:

H2: Company size significantly influences firm value.

### **Influence of Managerial Ownership on Firm Value**

Research (Rahmawati & Garad, 2023) shows that managerial involvement has a negative and significant impact on firm value. This means that the higher the managerial ownership ratio, the lower the firm's value, as reflected in stock prices and shareholder wealth. Greater managerial involvement gives managers a strong position in managing the business and full decision-making power. Research by (Delfi Safitri, 2022) and (Putri & Wiksuana, 2021) indicates that managerial ownership has a positive and significant impact on firm value.

Studies by (Indy & Uzliawati, 2023), (Pramesty & Aris, 2022) and (Jusriani & Rahardjo, 2013) show that managerial ownership does not influence firm value. Therefore, the research hypothesis is as follows:

H3: Managerial ownership significantly influences firm value.

### **Influence of Profitability on Firm Value**

Numerous studies by (Akhmadi et al., 2022), (Chabachib et al., 2020), (Endri, 2018), (Endri & Fathony, 2020), (Indy & Uzliawati, 2023), (Monoarfa, 2018), (Mubyarto, 2020), (Putri & Wiksuana, 2021), (Jusriani & Rahardjo, 2013), (Santosa, Aprilia, & Tambunan, 2020), (Talunohi & Bertuah, 2022), and (Putri & Wiksuana, 2021) indicate that profitability has a positive and significant impact on firm value. This aligns with research by (Arviana & Wibisono, 2023), which found that profitability has a positive and significant impact on firm value. Investors tend to research profitability information before investing in a company, and ROA analysis is crucial for investors to assess a company's future growth prospects. High profitability reflects good financial conditions, leading to increased investor confidence and higher stock prices, ultimately enhancing firm value.

Research by (Hirdinis, 2019) (Kusumawati & Harijono, 2021), Pramesty and Aris (2023), and (Marina Safitri, 2017) suggests that profitability does not influence firm value. Fluctuating company sales may lead to uncertain profitability, and high earnings may not affect firm value (Kusumawati & Harijono, 2021). Therefore, the research hypothesis is as follows:

H4: Profitability significantly influences firm value.

### **Influence of Dividend Policy on Profitability**

(Monoarfa, 2018) found that dividend policy has a negative and significant impact on profitability. This result can be explained by the fact that dividend policy involves decisions on how much dividend should be distributed to shareholders. This policy affects how management treats the company's earnings, with some being distributed as dividends and some reinvested in the company as retained earnings. Retained earnings are a crucial source of funding for assets. Therefore, the research hypothesis is as follows:

H5: Dividend policy significantly influences profitability.

### **Influence of Company Size on Profitability**

Research by (Chabachib et al., 2020), (Alarussi & Alhaderi, 2018), and (Talunohi & Bertuah, 2022) suggests that company size has a positive and significant impact on profitability. This aligns with the research by (Hirdinis, 2019), which also found a positive and significant relationship between company size and profitability. This may be because company size is a determinant of a company's profitability. Company assets indicate whether the company qualifies as significant or not.

(Monoarfa, 2018) found that company size does not influence profitability, possibly because a large company size does not guarantee high profitability since large companies may be reluctant to make new investments related to expansion until their obligations (debt) are paid off. Therefore, the research hypothesis is as follows:

H6: Company size significantly influences profitability.

### **Influence of Managerial Ownership on Profitability**

(Indy & Uzliawati, 2023) Found that managerial ownership has a positive and significant impact on profitability. This result aligns with the research by (2021), which follows agency theory, suggesting that managerial ownership structures can mitigate agency conflicts within companies and enhance firm value. High managerial ownership signifies the desire of both management and owners to increase control over the company's operations and make policies to enhance shareholder prosperity. This can lead to an increase in firm value. Investors may perceive that higher managerial ownership aligns management interests with shareholder interests, as managers are also shareholders. Therefore, the research hypothesis is as follows:

H7: Managerial ownership significantly influences profitability.

### **Influence of Dividend Policy on Firm Value Through Profitability**

(Monoarfa, 2018) found that profitability does not mediate the relationship between dividend policy and firm value, suggesting that dividend policy directly affects firm value. This indicates that dividend policy is a crucial decision in companies. Research (Monoarfa, 2018) suggests that dividend policy has a negative and significant impact on profitability, while research by (Jusriani & Rahardjo, 2013), (Santosa et al., 2020), (Talunohi & Bertuah, 2022), and (Putri & Wiksuana, 2021) suggests that profitability has a positive and significant impact on firm value. Therefore, the research hypothesis is as follows:

H8: Dividend policy significantly influences firm value mediated by profitability.

### **Influence of Company Size on Firm Value Through Profitability**

Research by (Talunohi & Bertuah, 2022), (Chabachib et al., 2020) and (Talunohi & Bertuah, 2022) suggests that profitability can mediate the relationship between company size and firm value. This aligns with research (Monoarfa, 2018), which indicates that profitability can mediate the relationship between company size and firm value. This means that company size can enhance profitability, which ultimately affects efforts to increase firm value. (Monoarfa, 2018) also suggests that significant assets signify a company's positive prospects. Large companies tend to be better known to the public than small companies due to increased information availability. However, research (Hirdinis, 2019) suggests that profitability cannot mediate the influence of company size on firm value. Therefore, the research hypothesis is as follows:

H9: Company size significantly influences firm value mediated by profitability.

### **Influence of Managerial Ownership on Firm Value through Profitability**

(Husodo & Wiksuana (2020) found that profitability cannot mediate the relationship between managerial ownership and firm value. This may be because investors perceive that managerial ownership structures more dominantly influence firm value than profitability does. Research (Indy & Uzliawati, 2023) indicates that managerial ownership has a positive and significant impact on profitability. Research by (Monoarfa, 2018), (Santosa et al., 2020), (Talunohi & Bertuah, 2022), and (Husodo & Wiksuana (2020) suggests that profitability has a positive and significant impact on firm value. Therefore, the research hypothesis is as follows:

H10: Managerial ownership significantly influences firm value mediated by profitability.

## **2. Materials and Methods**

This research adopts a causal research approach with the aim of identifying the cause-and-effect relationship between independent variables, namely dividend policy, company size, and managerial ownership, and the dependent variable, which is company value. The profitability variable mediates this relationship.

This study is a quantitative research that uses empirical data in numeric form as the basis for analysis. The research objects encompass several variables, including the market value of company

stocks, total company liabilities, total company assets, dividend per share, earnings per share, the number of shares owned by management, outstanding shares, and net income.

The primary data source is the financial reports of companies from 2018 to 2022, obtained from the Indonesia Stock Exchange via [www.idx.co.id](http://www.idx.co.id). Sampling was conducted using purposive sampling techniques with specific criteria, including consistency in listing on the Indonesia Stock Exchange, consistent financial report publications ending on December 31, and consistent profitability during the specified period.

The variables used in this research have been operationalized effectively. The dependent variable, company value, is measured using the Tobin's Q ratio. The dividend policy variable is measured using the Dividend Payout Ratio (DPR), company size is measured using the natural logarithm of Total Assets, and managerial ownership is measured as the sum of shares owned by management divided by outstanding shares. The mediating variable, profitability, is measured using Return on Assets (ROA).

The data analysis includes descriptive statistics, hypothesis testing, and the selection of panel regression models. Three estimation models are used: the Common Effect Model, the Fixed Effect (FE) Model, and the Random Effect (RE) Model. Model selection is determined through tests such as the Chow test, Hausman test, and Lagrange Multiplier test.

The results of the tests will determine the most suitable model for analysis. Additionally, coefficient of determination (R<sup>2</sup>) tests, F-tests, t-tests, and Sobel tests are used to measure the extent of the influence of independent variables on the dependent variable and to identify whether the mediating variable affects the relationship between independent and dependent variables.

### 3. Result and Discussion

#### Research Instrument Testing

##### Panel Data Regression Model

In the regression analysis of panel data, researchers utilize three tests, including the *Chow test*, the *Hausman test* and the *Lagrange Multiplier test*, in order to choose the best regression model. The *Chow test* is carried out to determine whether the model used an *expected effect* or a *fixed effect*. If the results of the *Chow test* show that the null hypothesis is rejected, it is necessary to perform the *Hausman test* to determine whether the model used a *fixed effect* or a *random effect*. Conversely, suppose the results of the *Chow Test* show that the null hypothesis fails to be rejected. In that case, it is necessary to perform the *Lagrange Multiplier test* to determine whether the model used an *expected effect* or a *random effect*.

##### Chow Test

The *Chow test* is used to determine the approach model to be used for *Common Effect* or *Fixed Effect*, namely:

H<sub>0</sub> : Model yang digunakan *random effect* model

H<sub>1</sub> : Model yang digunakan *fixed effect* model

If profitability >  $\alpha$  0.05, then H<sub>0</sub> is acceptable, and the model used is a *Common Effect approach*. However, if the probability value <  $\alpha$  0.05, then H<sub>0</sub> is rejected, which means the appropriate panel data regression model to use is a *Fixed Effect*. However, if H<sub>0</sub> is rejected, it is necessary to retest the Fixed Effect model *with the aim of choosing whether to continue using the Fixed Effect model or switch to the Random Effect model for further analysis*.

**Table 1 Test Chow**

Model	Variabel Dependen	Nilai F	Prob F	( $\alpha$ )	Hasil	Kesimpulan
1	Nilai perusahaan (NP)	11.58388	0.0000	0,05	Prob F < ( $\alpha$ )	H <sub>0</sub> ditolak, lanjut uji <i>Hausman</i>
2	Profitabilitas (ROA)	6.907421	0.0000	0,05	Prob F < ( $\alpha$ )	H <sub>0</sub> ditolak, lanjut uji <i>Hausman</i>

Source: Processed by Researchers (2023)

The Chow test is performed to detect whether there are structural changes in a regression model (Gujarati and Porter, 2009). If the test results show that the null hypothesis is rejected, it can be said that there is a structural change in the *expected effect regression model*. This results in a biased regression model. Therefore, fixed-effect regression models will be more accurate to use.

Table 1 presents the results of *the Chow* test for models 1 and 2, where models 1 and 2 reject the null hypothesis, so fixed effect regression *models are more appropriate than common effect regression models*. Further testing is needed to ensure the accuracy of the regression model to be used, so the Hausman test is carried out for models 1 and 2.

#### **Hausman Test**

The *Hausman* test is used to determine which approach model will be used, *Fixed Effect* or *Random Effect*, namely:

H0: *Random Effect Model*

H1: *Fixed Effect Model*

If the *p-value* of *Chi-Square* <  $\alpha$  0.05, *the Fixed Effect* is better than the *Random Effect*, so there is no need to continue the *Lagrange Multiplier test*. Conversely, if the *p-value* of *Chi-Square* >  $\alpha$  0.05, the *Random Effect* is better than *the Fixed Effect*, so it is necessary to test the *Lagrange Multiplier*.

**Table 2 Hausman Test**

Model	Variabel Dependen	Chi <sup>2</sup>	Prob Chi <sup>2</sup>	Degree of Freedom ( $\alpha$ )	Hasil	Kesimpulan
1	Nilai Perusahaan	8.864891	0.2625	0.05	Prob Chi <sup>2</sup> > ( $\alpha$ )	H <sub>0</sub> tidak ditolak, <i>random effect</i>
2	Profitabilitas (ROA)	2.436654	0.4868	0.05	Prob Chi <sup>2</sup> > ( $\alpha$ )	H <sub>0</sub> tidak ditolak, <i>random effect</i>

Source: Processed by Researchers (2023)

The Hausman test is performed to detect whether there is an error term relationship with explanatory variables in a model (Gujarati and Porter, 2009). Suppose the results of the Hausman test show that the null hypothesis is rejected. In that case, this shows that there is a correlation between *the error term* and the independent variable, so fixed effect regression models are more suitable or suitable to use. Meanwhile, suppose the test results show that the null hypothesis fails to be rejected. In that case, it is indicated that there is no correlation between the error term and the independent variable, so the appropriate regression model used is the random effect. Based on Table 4.7, it can be concluded that the results of the Hausman test testing for model 1 and model 2 state the null hypothesis is not rejected. Thus, model 1 is best suited to using *fixed effect regression models* and model 2 is best suited to using random effect regression models.

#### **Statistik deskriptif**

Descriptive statistics describe the data seen from the minimum value, maximum value, mean (*mean*), and standard deviation of the variables studied (Ghozali 2018, 19).

**Tabel 3 Statistik Deskriptif**

	Y	X1	X2	X3	Z
Mean	1.977088	42.56159	29.65529	0.019924	8.707153
Median	1.671944	36.92810	29.68634	0.000000	7.717362
Maximum	9.501314	360.5769	32.82638	0.252420	29.05089
Minimum	0.224333	0.000000	27.33972	0.000000	0.011160
Std. Dev.	1.307937	43.06845	1.544056	0.051354	5.389562
Skewness	1.912466	3.604902	0.126278	3.549611	0.985793
Kurtosis	9.777516	24.25224	1.854750	15.56679	4.454715
Jarque-Bera	353.2948	2937.895	8.023064	1215.218	35.01951
Probability	0.000000	0.000000	0.018106	0.000000	0.000000
Sum	276.7924	5958.623	4151.740	2.789404	1219.001
Sum Sq. Dev.	237.7872	257829.9	331.3912	0.366577	4037.585
Observations	140	140	140	140	140

Table 3 shows 140 data used. The dependent variable company value (*Tobin's Q*) has a minimum value of 0.224333 and a maximum value of 9.501314. The *mean* value obtained is 1.977088 with a standard deviation value of 1.307937.

The independent variable dividend policy (DPR) has a minimum value of 0.000000 and a maximum value of 360.5769. The *mean* value obtained is 42.56159, with a standard deviation value of 43.06845.

The independent variable company size (FS) has a minimum value of 27.33972 and a maximum value of 32.82638. The mean value obtained is 29.65529 with a standard deviation value of 1.544056.

The independent variable managerial ownership (MO) has a minimum value of 0.000000 and a maximum value of 0.252420. The mean value obtained is 0.019924, with a standard deviation value of 0.051354.

The variable mediating profitability (ROA) has a minimum value of 0.011160 and a maximum value of 29.05089. The mean value obtained is 8.707153, with a standard deviation value of 5.389562.

### Hypothesis Test

#### Coefficient of Determination Test ( $R^2$ )

The Coefficient of Determination ( $R^2$ ) is a test to measure the extent of the model's ability to explain dependent variations. The value of the coefficient of determination is between zero and one. The ability of independent variables to explain dependent variable variation is minimal, indicated by a small  $R^2$  value, if a sizeable  $R^2$  value can be interpreted that independent variables provide almost all the information needed to predict dependent variable variation (Ghozali 2018, 97).

**Table 5 Results of Correlation Coefficient Analysis ( $R^2$ ) Model 1**

Model	R
1	0.396737

Sumber: Output Eviews 10



Based on Table 5, the coefficient of determination test (Adjusted R<sup>2</sup>) model 1 shows that the value of the coefficient of determination is 0.396737 or 39.6% which states the percentage of variation in company value (*Tobin's Q*) which can be explained by dividend policy (DPR), company size (FS), managerial ownership (MO), and profitability (ROA), the remaining 61.4% is explained by variations from other variables not included in the regression model in research.

**Table 6 Results of Correlation Coefficient Analysis (R<sup>2</sup>) Model 2**

Model	R
2	0.006059

Sumber: Output Eviews 10

Based on Table 6, the coefficient of determination test (Adjusted R<sup>2</sup>) model 2 shows that the value of the coefficient of determination is 0.006059 or 0.6%, which expresses the percentage of variation in Profitability (ROA) that can be explained by dividend policy (DPR), company size (FS), and managerial ownership (MO), the remaining 99.4% is explained by variations from other variables that are not included in the regression model in the study.

### Uji F

The F test is a test that shows whether the independent variables in a model influence the dependent simultaneously (Ghozali 2018, 179).

**Tabel 7 Hasil Uji F Model 1**

Model	Prob(F-statistic)
1	0.000000

Source: Output Eviews 10

Table 7 shows that the value of *prob. (F-statistic)*, which is 0.000000 less than 0.05, which means that dividend policy (DPR), Company size (FS), managerial ownership (MO), and profitability (ROA) have a simultaneous effect on company value (*Tobin's Q*).

**Table 8 F Model 2 Test Results**

Model	Prob(F-statistic)
2	0.842389

Sumber: Output Eviews 10

Table 8 shows that the value of *prob. (F-statistic)*, which is 0.842389, is more significant than 0.05, which means that dividend policy (DPR), Company size (FS), and managerial ownership (MO) do not simultaneously affect profitability (ROA).

### t- Test

The statistical test t shows the extent to which the influence of one independent variable individually in explaining the variation of the dependent variable (Ghozali 2018, 98).

**Table 9 Model 1 t Test Results**

Variable	Coefficient	Std. Error	P-value
C	13.56301	3.929267	0.0007
DPR	-0.002165	0.00222	0.3312
FS	-0.423342	0.13269	0.0018
MO	4.159337	5.602879	0.4592
ROA	-0.994614	0.279793	0.0005

Source: Output Eviews 10

Based on the results of the t-test in Table 9 are as follows:

1. There is no significant influence between the dividend policy variable (DPR) and the company value variable (*Tobin's Q*) because the prob value of 0.3312 is more significant than 0.05. So, there is no influence between the dividend policy variable (DPR) and the company's value variable (*Tobin's Q*), or in other words, H0 is accepted (First Hypothesis).
2. There is a significant favourable influence between the company size variable (FS) and the company value variable (*Tobin's Q*) because the prob. value of 0.0018 is smaller than 0.05. So, there is an influence between the company size variable (FS) and the company value variable (*Tobin's Q*), or in other words, H0 is rejected (Second Hypothesis).
3. There is no significant influence between the managerial ownership variable (MO) and the company value variable (*Tobin's Q*) because the prob. value of 0.4592 is more significant than 0.05. So, there is no influence between the managerial ownership variable (MO) and the company value variable (*Tobin's Q*), or in other words, H0 is accepted (Third Hypothesis).
4. There is a significant favourable influence between the profitability variable (ROA) and the company value variable (*Tobin's Q*) because the prob. value of 0.0005 is smaller than 0.05. So, there is an influence between the profitability variable (ROA) and the company's value variable (*Tobin's Q*), or in other words, H0 is rejected (Fourth Hypothesis).

**Table 10 Model 2 t Test Results**

<b>Variable</b>	<b>Coefficient</b>	<b>Std. Error</b>	<b>P-value</b>
C	14.76638	15.71134	0.349
DPR	0.006002	0.008414	0.4769
FS	-0.20852	0.53026	0.6948
MO	-6.48655	16.57903	0.6962

Source: Output Eviews 10

The results of the t-test in Table 10 are as follows:

1. There is no significant influence between the dividend policy variable (DPR) and the profitability variable (ROA) because the value of prob. 0.4769 is more significant than 0.05. So, there is no influence between the dividend policy variable (DPR) and the profitability variable (ROA), or in other words, H0 is accepted (Fifth Hypothesis).
2. There is no significant effect between the Company size variable (FS) and the profitability variable (ROA) because the value of prob. 0.6948 is more significant than 0.05. So, there is no influence between the variable size of the Company (FS) and the variable profitability (ROA), or in other words, H0 is accepted (Sixth Hypothesis).
3. There is no significant influence between the managerial ownership variable (MO) and the Profitability variable (ROA) because the value of prob. 0.6962 is more significant than 0.05. So, there is no influence between the managerial ownership variable (MO) and the profitability variable (ROA), or in other words, H0 is accepted (Seventh Hypothesis).

#### **Sobel Test**

Sobel analysis is used to determine whether there is a relationship that, through a mediating variable, is significantly capable of mediating in the relationship; here is the formula for Sobel analysis:

$$Z = \frac{ab}{\sqrt{(b^2 SEa^2) + (a^2 SEb^2)}}$$

Where:

*a* : Koefisien regresi variable independen terhadap variable mediasi

*b* : Koefisien regresi variable mediasi terhadap variable dependen

*SEa* : *Standard error of estimation* dari pengaruh variabel independen terhadap variabel mediasi.

*SEb* : *Standard error of estimation* dari pengaruh variabel mediasi terhadap variabel dependen.

To see if there is an indirect relationship between dividend policy and company value through profitability, researchers use the following Sobel test technique:

$$Z = \frac{ab}{\sqrt{(b^2 SEa^2) + (a^2 SEb^2)}}$$

$$Z = \frac{0.006002 \times -0.994614}{\sqrt{(-0.994614^2 \times 0.008414^2) + (0.006002^2 \times 0.279793^2)}}$$

$$Z = -0.69948814$$

From the calculation of the Sobel test above, get a *z* value of -0.69948814; **because the *z* value obtained** is -0.69948814 < -1.96, it can be concluded that profitability is not able to mediate dividend policy against company value.

To see if there is an indirect relationship between company size and company value through profitability, researchers use the following Sobel test technique:

$$Z = \frac{ab}{\sqrt{(b^2 SEa^2) + (a^2 SEb^2)}}$$

$$Z = \frac{-0.208519 \times -0.994614}{\sqrt{(-0.994614^2 \times 0.53026^2) + (-0.208519^2 \times 0.279793^2)}}$$

$$Z = 0.39081977$$

From the calculation of the Sobel test above, get a *Z* value of 0.39081977; **because the *Z* value obtained** is 0.39081977 < 1.96, it can be concluded that profitability is not able to mediate the size of the company against the value of the company.

To see if there is an indirect relationship between managerial ownership and company value through profitability, researchers use the following Sobel test technique:

$$Z = \frac{ab}{\sqrt{(b^2 SEa^2) + (a^2 SEb^2)}}$$

$$Z = \frac{-6.486546 \times -0.994614}{\sqrt{(-0.994614^2 \times 16.57903^2) + (-6.486546^2 \times 0.279793^2)}}$$

$$Z = -0.25856005$$

To see if there is an indirect relationship between managerial ownership and company value through profitability, researchers use the following Sobel test technique.

### **Discussion**

H1: Dividend policy has a significant influence on the company's value.

Based on the test results in Model 1, the p-value for the dividend policy variable is 0.3312. This value indicates that the dividend policy is not significant for the company's value at a 5% level. Hypothesis 1 is not accepted. This suggests that changes in the dividend payout ratio (DPR) do not affect the company's value. These findings align with research conducted by Putri and Wiksuana (2021). Dividend policy and company value are often not directly causally related. In the context of dividend policy, a company decides how much of its profits will be distributed to shareholders as dividends, while the company's value reflects various factors, including market expectations about the company's future, growth potential, operational performance, and other factors that influence stock prices and overall company valuation. When a company decides to pay dividends, the funds typically come from profits already generated. Companies also have alternative uses for these funds, such as reinvestment in the business, debt repayment, acquisitions, or investments in new projects. A dividend policy is just one of many options, and companies must weigh the benefits and costs of each option.

The lack of a significant influence between dividend policy and company value could be because dividend distributions may only please investors who have held company shares from the beginning and may not be related to investors' buying interest in those shares. Additionally, the company's value, as measured by Tobin's Q, includes the stock price component. It's possible that when dividends are distributed, the company's stock price does not experience significant movements or may even increase on the stock exchange. In other words, dividend policy is primarily enjoyed by investors who hold shares in the company.

H2: Company size has a significant influence on the company's value.

Based on the test results in Model 1, the p-value for the company size variable is 0.0018. This value indicates that company size is significant for the company's value at a 5% level. Hypothesis 2 is accepted. The results of the test on the second hypothesis state that there is a significant favourable influence of company size on company value. These findings are in line with research conducted by Alarussi and Alhaderi (2018), Chabachib et al. (2020), Dang et al. (2020), and Monoarfa (2018). Chabachib et al. (2020) stated that company size has a significant favourable influence on company value, meaning that any increase in the company's size or total assets owned will also increase the company's value. The size of a company is reflected in the magnitude of its total assets, where a higher number of assets indicates the company's reliability. Moreover, companies with significant assets have good job stability and can generate higher profits due to the abundance of resources they possess.

Larger size can provide a competitive advantage to companies in terms of research and development, marketing, distribution, and innovation. They may have more significant resources to develop and market new products or services. Larger companies tend to have a larger market share and more influence in the industry. This can give them the ability to set prices, influence industry policies, and dictate trends.

H3: Managerial ownership has a significant influence on the company's value.

Based on the test results in Model 1, the p-value for the managerial ownership variable is 0.4592. This value indicates that managerial ownership is not significant for the company's value at a 5% level. Hypothesis 3 is not accepted. The results of the test on the third hypothesis state that there is no significant influence of managerial ownership on the company's value. These findings are

consistent with the research conducted by Indy and Uzliawati (2023). The variable of managerial ownership does not affect the company's value, and this research is rejected because the authors found that managerial ownership in the studied companies is still very low, and not all companies have shares owned by managers. Based on this, it can be said that non-cyclical consumer companies do not yet have significant management oversight related to activities that can enhance or maintain the company's value due to the limited managerial ownership. Widyastuti et al. (2022) stated that the low ownership of shares by management can result in management not feeling a sense of ownership of the company, as not all profits can be enjoyed by management, potentially leading to management's motivation to maximize their utility, which can be detrimental to shareholders. Additionally, the low ownership of shares by management may result in lower management performance, thus not affecting the company's value.

H4: Profitability has a significant influence on the company's value.

Based on the test results in Model 1, the p-value for the profitability variable is 0.0005. This value indicates that profitability is significant for the company's value at a 5% level. Hypothesis 4 is accepted. The results of the test on the fourth hypothesis state that profitability has a significant influence on the company's value. These findings are in line with research conducted by Akhmadi et al. (2022), Ariana and Wibisono (2023), as well as Chabachib et al. (2020). Endri and Fathony (2020) stated that Return on Assets (ROA), as a measure of a company's overall profitability in generating profits with the total assets available to the company, plays a crucial role in ensuring a company's long-term sustainability. This is because profitability can indicate the company's prospects, where if managers can manage the company well, the costs incurred by the company will be reduced, resulting in higher profits.

Monoarfa (2018) stated that profitability has a significant favourable influence on the company's value. This indicates that higher profitability leads to a higher company value. The higher a company's ability to generate profits, the higher its value. Higher profitability can increase the value of the company, reflected in the increased stock price of the company. Companies with significant profitability each year tend to be sought after by many investors. Investors believe that companies with high profits will yield high returns. This is perceived by investors as a positive signal from the company, increasing investor confidence and making it easier for the company's management to attract capital through shares.

H5: Dividend policy has a significant influence on profitability.

Based on the test results in Model 2, the p-value for the dividend policy variable is 0.4769. This value indicates that dividend policy is not significant for the profitability variable at a 5% level. Hypothesis 5 is not accepted. The results of the test on the fifth hypothesis state that there is no significant influence of dividend policy on profitability. This can be because dividend policy is a decision made by the company's management about how much of the profit will be distributed to shareholders as dividends, and it is not a factor that directly affects profitability. Profitability reflects how well the company generates profit from its operations. Profitability reflects the company's operational performance in generating profit, while dividend policy reflects how the company decides to distribute that profit to shareholders. In many cases, a company may have high profits but chooses not to distribute most of that profit as dividends because it wants to reinvest more money in growth or future projects. A dividend policy is just one of several options, and companies must consider the benefits and costs of each option.

Yanti and Setiawati (2022) stated that dividend policy does not affect profitability, which means that the dividend payout ratio (DPR) does not affect the company's ability to generate profit. A higher DPR may lead to lower profits for the company. Shareholders who need income immediately tend to prefer a high DPR. On the other hand, shareholders who do not need immediate funds may prefer the company to retain most of the net profit.

H6: Company size has a significant influence on profitability.

Based on the test results in Model 2, the p-value for the company size variable is 0.6948. This value indicates that company size is not significant for the profitability variable at a 5% level. Hypothesis 6 is not accepted. The results of the test on the sixth hypothesis state that there is no significant influence of company size on profitability. This is consistent with the research conducted by Monoarfa (2018). Monoarfa (2018) stated that the nonsignificant effect indicates that company size is not one of the primary variables that can significantly influence profitability. This is because a larger company size does not guarantee high profitability since larger companies may be hesitant to make new investments related to expansion before their obligations (debts) are paid off.

H7: Managerial ownership has a significant influence on profitability.

Based on the test results in Model 2, the p-value for the managerial ownership variable is 0.6962. This value indicates that managerial ownership is not significant for the profitability variable at a 5% level. Hypothesis 7 is not accepted. The results of the test on the seventh hypothesis state that there is no significant influence of managerial ownership on profitability. The research results indicate that the extent of managerial ownership in a company does not affect the company's ability to generate profit from the use of its assets. Share ownership by management does not influence management performance. Management, as the company's administrator, will continue to work according to the owner's wishes, even if they do not hold shares in the company. Although they do not own shares in the company, management will strive to improve the company's performance in line with the owner's goals. The level of managerial ownership in a company can vary. In some cases, managers may have significant ownership and may have incentives to improve profitability because their gains are directly tied to the company's performance. However, in other cases, managerial ownership may be low or not significant, limiting their incentive to affect profitability.

H8: Dividend policy has a significant influence on company value mediated by profitability.

The results of the test for the eighth hypothesis indicate that profitability (ROA) cannot mediate the influence of dividend policy on company value. This is evident from the z-score of -0.69948814, as the obtained z-score of  $-0.69948814 < -1.96$ . These results are in line with the research conducted by Monoarfa (2018). Profitability may not mediate the relationship between dividend policy and company value because they are separate variables that affect company value through different mechanisms. Dividend policy and profitability are two different aspects of a company's financial strategy. Dividend policy relates to how the company distributes profits to shareholders, while profitability reflects the company's ability to generate profits from its business operations. Management has discretion in determining their dividend policy. They can choose to distribute most of the profit as dividends to shareholders or retain the profit for future investment or business development. This can happen regardless of the level of profitability. Some investors may prefer companies that pay dividends regularly because they seek regular cash flow. However, other investors may be more focused on the company's value growth and may not consider dividend policy as the primary determining factor. Companies in growth stages may prefer to retain their earnings for reinvestment and further business development, even if they have achieved high profitability. Conversely, established companies may be more inclined to distribute profits to their shareholders.

H9: Company size has a significant influence on company value mediated by profitability.

The results of the test for the ninth hypothesis indicate that profitability (ROA) cannot mediate the influence of company size on company value. This is evident from the z-score of 0.39081977, as the obtained z-score of  $0.39081977 < 1.96$ . These results align with the research conducted by Hirdinis (2019). Company size represents a substitute for the total assets of the company, indicating the extent of the company's wealth. Companies with more significant assets will utilize their resources maximally to generate maximum profit. As a company's size grows, there is a tendency for more investors to pay attention to the company, potentially leading to an increase in the

company's stock price in the stock market and, in turn, an increase in the company's value. Other external factors can influence company value, such as market conditions, regulatory changes, industry trends, and macroeconomic factors. Profitability can vary significantly between different industries or sectors. Some industries may have low-profit margins but require a large scale to generate added value, while others may rely on higher profit margins. Companies may have different business strategies that affect the relationship between size and value. For example, companies may choose to focus on growth and market share early on, sacrificing profitability for a certain period.

H10: Managerial ownership has a significant influence on company value mediated by profitability.

The results of the test for the tenth hypothesis indicate that profitability (ROA) cannot mediate the influence of managerial ownership on company value. This is evident from the z-score of 0.38889958, as the obtained z-score of 0.38889958 < 1.96. These results are in line with the research conducted by Husodo and Wiksuana (2020). Husodo and Wiksuana (2020) suggested that investors may consider managerial ownership to have a more dominant influence on company value compared to the impact of profitability on company value. High managerial ownership indicates the desire of both management and owners to increase the management's share in the company, allowing management to make decisions that can enhance shareholder welfare.

Additionally, management, being shareholders of the company, can align their interests with shareholders, motivating management to operate more efficiently and adopt policies to improve company performance. Good company performance can signal to investors that the company has good prospects, potentially increasing its value. Profitability can influence company value, but the financial information signal provided to investors may not be as strong as their trust in management, who are also owners of the company. These findings support the research conducted by Sugosha and Artini (2020), which also stated that profitability cannot mediate the effect of managerial ownership on company value.

#### **4. Conclusion**

Based on the results obtained from this research, the researcher concludes that:

The research findings indicate that dividend policy does not have a significant influence on the company's value. This may be due to the fact that dividend distribution may only affect investors who have held company shares since the beginning and does not directly impact investors' interest in purchasing the company's shares. Furthermore, the company's value, as measured by Tobin's Q, includes the element of stock price, and dividend distribution may not always result in significant movements in stock prices.

Company size has a positive and significant influence on the company's value. These results are consistent with previous research that shows that an increase in a company's size or total assets positively affects its value. Companies with significant assets are typically considered more reliable, have good job stability, and can generate higher profits.

Managerial ownership does not have a significant influence on the company's value. This is due to the fact that managerial ownership in the studied companies is still low, and not all companies have shares owned by managers. This suggests that management oversight of activities that can affect or maintain the company's value is still limited.

Profitability has a positive and significant influence on the company's value. Return on Assets (ROA) as a measure of company profitability in generating profits plays a crucial role in ensuring the company's long-term sustainability. The higher the profitability, the higher the company's value. Investors tend to be interested in companies with high profitability because they are seen as generating higher returns.

Dividend policy does not have a significant influence on profitability. Dividend policy and profitability are two different aspects of a company's financial strategy, and dividend distribution does not always directly affect profitability.

Company size also does not have a significant influence on profitability. This indicates that company size is not the primary factor affecting a company's profitability significantly.

Managerial ownership does not have a significant influence on profitability. This suggests that the size of managerial ownership in a company does not significantly affect the company's ability to generate profits from its assets.

Dividend policy does not have a significant influence on the company's value through profitability. This indicates that dividend policy and profitability are separate variables that affect the company's value through different mechanisms.

Company size also does not have a significant influence on the company's value through profitability. This suggests that the relationship between company size and company value is not significantly affected by profitability.

Managerial ownership does not have a significant influence on the company's value through profitability. Investors tend to pay more attention to managerial ownership when assessing a company's value than the influence of profitability.

Thus, the results of this research provide insights into how factors such as dividend policy, company size, managerial ownership, and profitability influence the value of companies in the context of non-cyclical consumer companies listed on the Indonesia Stock Exchange (BEI).

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