

## Analysis the Influence of Financial Performance on Corporate Value with Dividend Policy as a Mediation Variable

Ratna Dina

Accounting Departement, Universitas Agung Podomoro, Jakarta, Indonesia

**Corresponding Author:** Ratna Dina ratna.dina@podomorouniversity.ac.id

---

### ARTICLE INFO

*Keywords:* Corporate Value, Dividend Policy, Financial Performance

*Received :* 20, November

*Revised :* 21, December

*Accepted:* 30, January

©2025 Dina: This is an open-access article distributed under the terms of the

[Creative Commons Atribusi 4.0](#)

[Internasional](#).



### ABSTRACT

This Research using dividend policy as a mediating variable, and attempts to ascertain and examine the relationship between financial performance and corporate value. Manufacturing companies listed on the Indonesia Stock Exchange (IDX) served as the sample for this research. The dependent variable is company value as determined by Tobin's Q, the independent variables are financial performance as determined by return on equity, return on assets, and net profit margin, and the mediation variable is dividend policy as determined by dividend payment ratio. Purposive sampling was used in this study to choose samples from 44 industrial companies. According to the findings of the path analysis model using smartPLS 3.0, indicates that financial performance has a positive effect on dividend policy and corporate value, and dividend policy has a positive effect on corporate value. Dividend Policy mediates the relationship between financial performance and corporate value. The implications and research suggestions for companies are to increase corporate value, companies can focus on increasing the value of financial performance and be consistent in dividend distribution. For investors, they can consider financial performance and dividend policy as a reference for making investment decisions.

---

## **INTRODUCTION**

The current economic globalization accompanied by international free trade makes the manufacturing world a strategic industry that is used as one of the pillars of a country's economy. In addition, the increasingly open opportunities for international free trade, The ability to manufacture a variety of goods that can compete on the global market is always necessary for the manufacturing sector. The development of the manufacturing industry in a country can be used as a benchmark for the achievement of national industrial development, both in terms of the product quality produced and the overall performance of the industry.

The Investment Coordinating Board (BKPM), Indonesia's manufacturing sector currently accounts for up to 20.27% of the country's GDP, making it the largest in Southeast Asia. Commodity-based thinking can now give way to manufacturing-based thinking due to the expansion of the manufacturing sector on a national level. Furthermore, the manufacturing sector is seen to be more productive and capable of creating a wide range of chain effects that raise the added value of raw materials, create jobs, and generate revenue for the state through taxes, foreign exchange, and most notably, customs charges. (BKPM, 2022) The Central Statistics Agency (BPS) reports that, when compared to a number of other economic sectors, the manufacturing sector is the one that contributes the most to investment realization.

The manufacturing industry is a sector that has rapid growth and is a promising opportunity to contribute to Indonesia's economic growth (Hantono, 2018). Investment in this sector holds significant potential, making it an attractive choice for many investors. With about 178 businesses registered on the Indonesia Stock Exchange, the manufacturing sector currently has the most companies. Due to this circumstance, investors must exercise greater caution when evaluating businesses and make sure that their investments are made wisely to minimize risk and maximize returns.

High corporate value arises from positive investor perceptions, evidenced by increased stock participation and indicated by increased stock value. Corporate value is influenced by many factors, including those under management control and various external factors (Asante-Darko et al., 2018).

Maximizing corporate value is the primary objective of a company, as an increase in corporate value correlates with the enhancement of investors' prosperity or wealth (Sucuahi and Cambarihan, 2016).

E. F. Brigham and Houston (2021) state that to optimize corporate value, management must be able to maximize strengths and minimize the weaknesses of the company. Analyzing the financial performance of the company is a method to describe the variance of performance and value of each company in an industrial sector, reflecting their current financial status or trend. Because before making decisions, especially regarding long-term investments, investors must be able to analyze and evaluate financial performance in terms of profitability, investment risk, and potential investment returns.

The goal of every company is to increase the profits obtained by its investors. A corporate value will be maximum if there is an increase in the profits distributed to shareholders (Husnan, 2018).

Every business wants to boost the profits it makes for its investors, either in the form of dividends or capital gains. In the Bird in Hand theory according to Gordon (1959), examines the relationship between company value and stock returns. According to the theory, dividend policy significantly affects the growth of corporate value since dividends are more alluring than capital gains due to the uncertainty surrounding future cash flows.

From the results of previously conducted research, there are several findings regarding factors that have an influence on corporate value that are interesting to study further, including:

Research conducted by Mangesti Rahayu et al. (2019) indicates a significant relationship between financial performance, as measured by profitability (ROI, ROE, and NPM), and capital structure (STDTA, LTDTA, and DER). Furthermore, both variables exert a substantial influence on corporate value, as assessed through Tobin's Q and PER indicators.

Furthermore, according to research by Muhammad Saddam et al. (2021), which looked at the relationship between profitability and company value, return on equity (ROE) and net profit margin (NPM) have a significant positive impact on corporate value, while return on asset (ROA), an indicator used by consumer goods companies, has a significant negative impact.

Based on the provided background, the author is interested in examining the variable of financial performance in relation to its impact on corporate value, with an addition to the mediating variable of dividend policy. Consequently, the title of the research proposed by the author is analysis of the influence of financial performance on corporate value with dividend policy as a mediation variable, focusing on companies within the manufacturing industry sector as the unit of analysis.

## **LITERATURE REVIEW**

### **Financial Performance**

A measure of an organization's success in making effective and efficient use of its resources is its financial performance. For businesses looking to draw in investors, increasing financial performance is crucial (Mangesti Rahayu et al., 2019).

Brigham and Houston (2021) state that to be able to optimize corporate value, management must effectively minimize weaknesses while leveraging the company's strengths. A company's financial performance is an indication of its operational effectiveness and financial health. Suhadak et al. (2019) explored signalling theory, which examines the signals conveyed through financial reports and other management information to investors, company owners, and other users. In this theory, it states that strong or good financial performance enables a company to intentionally signal to the public and interested parties, allowing them to evaluate the company's performance.

In this theory, stated that with good financial performance, the company will deliberately give signals to the public and interested parties so that these parties can assess the good or bad performance of a company. Through signalling theory, the information gap is expected to be minimized by presenting the quality or integrity of information from the financial report. This aims to ensure that all interested parties can believe in the reliability of the financial information presented by the company, so an opinion is needed from an independent party outside the company who is able to provide an opinion on a company's financial report. (Gumati, 2016).

The profitability ratio is very important in evaluating financial performance. By examining a company's profitability, investors can determine its efficiency in allocating funds to maximize profits. Profitability is a measure of a business's overall performance. Return on Assets (ROA), which calculates the returns or profit from the usage of owned assets, is the profitability ratio utilized in this study to evaluate financial performance. Greater asset management effectiveness is indicated by a higher ROA number. While the Net Profit Margin (NPM) relates net profit to total sales or revenue, the Return on Equity (ROE) measures the amount of return on investment for common shareholders (Brigham and Houston, 2021).

### **Dividend Policy**

Investors are basically motivated to getting a profit (stock return) through dividends or capital gains, as well as gaining ownership of a business, are the main reasons why investors participate in the stock market. Dividends are a return on investment for shareholders and are paid out proportionately to the number of shares held by each owner, according to Kieso et al. (2019). To ensure dividends are distributed to shareholders, it is important to establish a dividend policy first.

Gitman and Zutter (2019) classify dividend policy as a systematic approach to planning corporate actions when dividend decisions are required. This policy usually concerns what the proportion of dividends paid to shareholders. The number of dividends can be assessed through the Dividend Payout Ratio (DPR), DPR is the ratio of dividends to profits available to common shareholders (Brigham and Houston, 2021). The determination of the percentage of profit that will be paid out as dividends from investment returns is known as the dividend policy (Brigham and Houston, 2021).

The policy on dividends is still a topic of discussion among researchers because the results of the analysis of dividend policies can affect the company showing different opinions. In the article by Suhadak et al., (2019) there are three perspectives on the dividend policy, the first opinion states that dividend policy is irrelevant or requires specific estimates in terms of its influence on corporate value. This is same as the theory of irrelevance of dividend theory according to Miller and Modigliani, (1961) which states that corporate value is influenced by how a company manages its assets to generate profits, not by the percentage of profits distributed to investors in the form of dividends, in other words, dividend policy does not affect the value of the company.

According to the second theory, dividends have a linear relationship with corporate value. This is consistent with Bird in Hand Theory (Gordon, 1959) about how stock returns affect corporate value, which holds that dividend policies will raise corporate value and that dividends are preferable to capital gains because of the uncertainty surrounding the company's future cash flow.

And the third opinion states that dividend policy is negatively correlated with corporate value, this states that a high dividend rate will result in a lower corporate value. Likewise, low dividend distribution will reduce corporate value. In the development or growth stage, the company will need a certain amount of money to be used as capital for developing their business, the source of money used is from the profits they earn. This shows that if the company saves more of its profits as retained earnings which are intended as capital for business expansion. Consequently, investors will receive a less dividend.

### **Corporate Value**

According to Jinoria (2014), a company is an organization that produces goods/services, is independent, has the aim of making a profit, is registered according to the law, has employees and work facilities.

The Theory of Firm states that a company exist and carries out its activities and is followed by decision-making processes related to organization, financing, and business strategy, with the primary objective of maximizing profits. It is widely recognized that the primary objective of every firm is to enhance shareholder welfare. This optimization requires increasing the corporate value, which serves as a benchmark for public assessment and reflects a commitment to the sustainability of the firm's operations. In order to realize this goal, one important aspect is to create the best possible market value of the company (Peavler, 2018). A strong corporate value will come from the trust of investors and creditors, thereby facilitating access to funding sources.

The indicator to determine Corporate Value in this study is Tobin's Q, which is a measure used to evaluate market performance. The comparison involves the market value of the company against the replacement value of assets, which is derived from the book value of its equity and liabilities (Siswoyo and Oetomo, 2012). Many researchers, including Suhadak et al. (2019), use Tobin's Q as an indicator of corporate value, because it is considered the most effective formula for determining corporate value, because includes all financial elements in the form of debt, capital, and assets are available in it.

Signalling theory explains that, Financial Report is one type of signal shown by the company to provide information about the efforts that have been taken by managers to achieve the expectations of the owners (Ross, (1977). And by analysing financial ratios, especially profitability, we can assess the financial performance of a company. And directly shows the corporate value that is owned.

Ferina and Tjandrakirana DP (2015) state that investors want a company with good corporate value because a higher company value translates into a higher degree of investor welfare. Additionally, strong financial performance is required to sustain a growth in corporate value. Furthermore, according to study by Suhadak et al. (2019), dividend policy needs to be carefully considered

in order to increase corporate value. Because the amount of dividends paid by the company to investors can be used to measure the degree of shareholder welfare and the high corporate value represented in the stock price.

## METHODOLOGY

This research using secondary data from the financial and annual reports of manufacturing businesses listed on the IDX, this study employs a quantitative methodology. The purposive method is one of the nonprobability random sampling approaches used in the sampling procedure. The analysis model employed in this study is path analysis, which makes use of the SmartPLS 3.0 analysis tool and the Partial Least Squares (PLS) technique. The variables and their methods of measurement are described as follows:

Table 1. Variable and Measurements

Variable type	Variable	Indicator	Measurement	Reference
Variable Dependent	<i>Corporate Value</i>	<i>Tobin's Q</i>	$\text{Tobins } Q = \frac{(\text{Market Value Share} + \text{Market Value Debt})}{(\text{Replacement Value Asset})}$	Bartlett dan Partnoy (2018)
Variable Independent	<i>Financial Performance</i>	<i>Return On Assets</i>	$\text{ROA} = \frac{\text{Net income available to common stockholder}}{\text{Total Assets}} \times 100\%$	Rutkowska-Ziarko (2015) Husain et al., (2020)
		<i>Return On Equity</i>	$\text{ROE} = \frac{\text{Net income available to common stockholder}}{\text{Common Equity}} \times 100\%$	Rutkowska-Ziarko (2015)
		<i>Net Profit Margin</i>	$\text{NPM} = \frac{\text{Net income available to common stockholder}}{\text{Sales}}$	Nariswari dan Nugraha (2020)
Variable Mediating	<i>Dividend Policy</i>	<i>Dividend Payment Ratio</i>	$\text{DPR} = \frac{\text{Annual Dividend per share}}{\text{Earnings per share}}$	Husain et al., (2020)

In this study, hypothesis testing uses direct and indirect hypothesis testing with the following explanation:

### Hypothesis Testing-Direct Effect

A bootstrapping process is required to determine the importance of the influence between variables. In both the inner and outer models, the bootstrapping method reflects nonparametric analytical precision estimate. (2020, Setiaman).

The direct effect hypothesis and the indirect effect hypothesis (mediating effect) were tested in two phases of the hypothesis testing process in this study. Examining the P and T statistic values is how hypothesis testing is done. If the statistical t-test value is expressed in the two-tailed type with a t-value of 1.65 for a significance level = 10%, a t-value of 1.96 for a significance level = 5%, and a t-value of 2.58 for a significance level = 1%, and the P-Value is less than 0.05, the research hypothesis can be deemed accepted (Hair et al., 2019).

### Hypothesis Testing-Indirect Effect

In this study, there is a mediating variable, namely Dividend Policy, so the Mediation Effect analysis must also be carried out. According to Wong (2013) and Setiaman (2020), this mediating effect shows that the third variable acts as a mediator, transmitting the influence between the independent and dependent variables.

The following steps are used to test the mediating impact in analysis using PLS:

1. The first model must be significant at  $t$ -statistic  $> 1.96$  in order to examine the impact of exogenous factors on endogenous variables.
2. The second model, which requires a  $t$ -statistic  $> 1.96$  to be significant, examines how exogenous variables affect mediating variables.
3. The third model examines how exogenous and mediating variables affect endogenous variables at the same time.

In the final stage of testing, The mediating variable is demonstrated to mediate the influence of the exogenous variable on the endogenous variable if, an than the influence of the exogenous variable on the endogenous variable is not significant while the influence of the mediating variable on the endogenous variable is significant at  $t$ -statistic  $> 1.96$ .

## RESULT AND DISCUSSION

### Descriptive Statistics

A descriptive statistical analysis or description of the study's associated variables will be carried out prior to examining the relationship between independent, dependent, and mediation factors. The study's variables include corporate value as the dependent variable, dividend policy as the mediation variable, and financial performance as the independent variable in manufacturing industry companies.

The objective of this descriptive statistical test is to determine and provide the mean, minimum, maximum, and standard deviation of the associated variables. A descriptive statistics table for each indication for each variable can be seen below:

Table 2. Result of Descriptive Statistical Analysis

Variable	Indicator	N	Mean	Min	Max	Standard Deviation
FP	ROA	220	0.10	-0.13	0.53	0.10
	ROE	220	0.18	-0.16	1.37	0.24
	NPM	220	0.10	-0.10	0.54	0.09
DIV	DPR	220	0.42	0.04	1.77	0.29
CV	Tobins Q	220	3.35	0.38	23.29	3.90

Source: Smart PLS 3.0 Processing Results

### **Financial Performance Description**

In this study, Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin (NPM) are indicators of the Financial Performance (FP) variable.

Table 2 shows that the average financial performance score (mean) of the 44 manufacturing and industrial firms included in the study's samples for the Return on Assets (ROA) indicator is 0.10, or 10%, with a standard deviation of 0.10. The average value of the Return on Equity (ROE) indicator is 0.18, or 18%, with a standard deviation of 0.24, while the average value of the Net Present Value (NPV) indicator is 0.10, or 10%, with a standard deviation of 0.09.

Furthermore, as can be observed from the above table, the highest Financial Performance value of the Return on Equity (ROE) indicator is 1.37, or 137%, and is owned by PT. Unilever Indonesia Tbk. (UNVR) in 2017. The highest value of the Return on Assets (ROA) indicator is 0.53, precisely 0.5262, or 52.62%, and is owned by PT. Multi Bintang Indonesia Tbk. (MLBI) in 2017. The highest value of the Net Profit Margin (NPM) is 0.54, precisely 0.5401, or 54.01%, and is owned by PT. Ekadharma International Tbk. (EKAD) in 2016. The lowest Financial Performance achievement from the Return on Asset (ROA) indicator is -0.1263 or -12.63%, the Return on Equity (ROE) indicator has the lowest value of -0.1635 or -16.35% and the Net Profit Margin (NPM) has the lowest value of -0.1045 or -10.45% And the lowest values are owned by PT Lionmesh Prima Tbk. which has the stock code LMSH in 2019.

### **Dividend Policy Description**

In this study, the Dividend Policy variable is a mediating variable that has a Dividend Payment Ratio (DPR) indicator.

Table 2 shows that the average Dividend Payment Ratio of the 44 industrial and manufacturing companies that were samples in this study in 2015-2019 was 0.42 or 42%, meaning that the average manufacturing company has the ability to pay dividends of around 42% of the profits it earns.

In addition, from the table above, it can also be seen that the highest Dividend Payment Ratio (DPR) value is 1.77 or 177% and this value is owned by PT. Indocement Tunggal Perkasa Tbk. (INTP), if seen from the history of dividend payments in the last 5 years, INTP does have a fairly high DPR level, for example in 2018, INTP had a DPR of 138.55%, in 2017 it was 88.36% and in 2015 it was 93.95%.

The lowest Dividend Payment Ratio (DPR) achievement is 0.04, precisely 0.0438 or 4.38% and this value is owned by PT. Tjiwi Kimia Paper Factory Tbk. (TKIM) in 2019.

### **Corporate Value Description**

In this study, the Corporate Value (CV) variable is a dependent variable that has a Tobins Q indicator.

Table 2 shows that the average Corporate Value (CV) value with the Tobins Q indicator from 44 industrial and manufacturing companies that were samples in this study in 2015-2019 was 3.35 with a standard deviation value of 3.90.

In addition, it is also evident from the above table, it can also be seen that the highest Corporate Value (CV) value is 23.29 and this value is owned by PT Unilever Indonesia Tbk. (UNVR) in 2017. From the data obtained, UNVR is one

of the companies with the highest Tobins Q level during the research period, namely 2015-2019 with an average Tobins Q value of 18.85. The lowest Corporate Value (CV) achievement is 0.38 and this value is owned by PT. Duta Pertiwi Nusantara Tbk. (DPNS) in 2019.

### Hypothesis Testing

The analysis of the direct impact hypothesis and the evaluation of the indirect effect hypothesis (mediating effect) comprised the two stages of hypothesis testing in this study. P values and T statistic values were analysed in order to evaluate the hypotheses. If the statistical t-test value indicates the significance value and the P Value is less than 0.05, the study hypothesis is considered accepted. With a t-value of 1.65 for a significance level of 10% and a t-value of 1.96 for a significance level of 5%, this uses a two-tailed technique (Hair et al., 2019). The following table displays the findings of the hypothesis testing:

Table 3. Results of Hypothesis Testing

No	Hypotesis	Original Sample	T Statistic	P Value	Results
<b>Direct Effect</b>					
1	$FP \rightarrow CV$	0.528	6.381	0.000	Accepted
2	$DIV \rightarrow CV$	0.153	2.138	0.033	Accepted
3	$FP \rightarrow DIV$	0.450	5.597	0.000	Accepted
<b>Indirect Effect</b>					
1	$FP \rightarrow DIV \rightarrow CV$	0.069	2.001	0.046	Accepted

Source: Smart PLS 3.0 Processing Results

### The Influence of Financial Performance on Corporate Value

The T Test (Partial) presented in the table above reveals a P-Value of 0.000, accompanied by a t statistic value of 6.381. The study hypothesis is accepted since this value exceeds the t value threshold of 1.96. This indicates that, with a path coefficient of 0.528, financial performance significantly affects to corporate value. This suggests a positive direction of influence, which means that any improvement in financial performance will raise the value of the company.

The aforementioned analysis indicates that financial performance positively influences on corporate value. This means that companies that have a good financial performance, characterized by high profitability, tend to experience elevated a corporate value. These findings align with Signalling Theory, which states that financial performance serves as a signal to investors regarding the company's achievements and reflects its corporate value (Ross, 1977, as cited in Suhadak et al., 2019). Furthermore, this is consistent with prior research conducted by Mangesti Rahayu et al. (2019), Suhadak et al. (2019), and Ulistianingsih and Yuniati (2016), all of which demonstrate that improvements in financial performance led to an increase in corporate value, both directly and indirectly.

### **The Influence of Dividend Policy on Corporate Value**

The T Test (Partial) presented in the table above reveals a P Value of 0.033, with a significance level of the t statistic value of 2.138. The study hypothesis is accepted since this result is higher than the t value threshold of 1.96. Consequently, a path coefficient of 0.153 indicates that dividend policy significantly affects to corporate value. This indicates a positive influence direction, indicating that any expansion of the dividend policy will raise the value of the company.

The aforementioned analysis indicates that dividend policy positively influences corporate value. This means that companies that have the ability to maintaining high dividend payouts tend to enhance investor confidence in investing their funds, thereby contributing to an increase in corporate value. These results are consistent with the Bird in Hand Theory, which states that corporate value is affected by stock returns and that dividend policies increase corporate value since dividends are more desirable than capital gains because future cash flows are inherently uncertain. Consequently, with a higher dividend rate, it will attract more attention from investor. This is corroborated by research conducted by Mai (2017), Ulistianingsih and Yuniati (2016), Hasanah and Lekok (2019), and Ratnawardhani (2017), all of which affirm that dividend policy positively impacts corporate value. Such a dividend payment strategy is likely to be favourably received by investors, thereby enhancing the company's value. Conversely, investors tend to undervalue companies that retain excessive cash without distributing it to shareholders.

### **The Influence of Financial Performance on Dividend Policy**

The T Test (Partial) presented in the table above reveals a P Value of 0.000, with a significance level of the t statistic value of 5.597. The study hypothesis is accepted since this value exceeds the t value threshold of 1.96. As a result, a route coefficient value of 0.450 indicates that financial success significantly affects dividend policy. This indicates a positive influence direction, indicating that any improvement in financial performance will result in a higher dividend policy.

The aforementioned analysis indicates that financial performance significantly influences corporate value in a positive manner. This suggests that companies exhibiting strong financial performance, characterized by high profitability, are better positioned to distribute high dividends. According to Litner in Smoothing Theory, dividend policy is contingent upon the profits of the current and preceding years (Wahjudi, 2019). This finding aligns with prior research conducted by Mirah et al. (2014), Ajanthan (2013), Zaman, Delfian Rian (2018), Nurainun Bangun, Yuniarwati, and Linda Santioso (2018), among others, which affirm that financial performance positively impacts the level of dividend distribution undertaken by firms.

### **The Influence of Financial Performance on Corporate Value with Dividend Policy as a Mediating Variable**

The t statistical significance value of 2.001 and the P value of 0.046 from the T Test (Partial) shown in the above table are higher than the t value threshold of 1.96. This implies that the research hypothesis is accepted, showing that corporate value is significantly influenced by financial performance, which

is mediated by dividend policy. The positive relationship is evidenced by the original sample value, signifying that an increase in financial performance correlates with a rise in the level of dividend policy, which subsequently enhances the company's corporate value.

This study shows that dividend policy successfully mediates the relationship between financial performance and corporate value, as indicated by the analysis results above. The capacity of a business to make money through strong financial performance positively influences its corporate value, which is further enhanced by the achievement of shareholder prosperity resulting from a dividend policy with a good level as well. A good response from the market regarding a company's success in generating and distributing profits to shareholders, as reflected in its financial performance and dividend policy, will contribute to an increase in corporate value. This finding aligns with research conducted by Norhayati et al. (2012), Ayuningtias (2013), Ulistianingsih and Yuniati (2016), and Firmansyah and Suwitho (2017), which indicates that financial performance positively impacts dividend policy, subsequently affecting the corporate value of the company.

## CONCLUSIONS AND RECOMMENDATIONS

The following are the conclusions drawn from this study's findings:

- a. Corporate value is positively and significantly impacted by financial performance. An indication of a company's strong corporate value is its improved financial performance.
- b. The dividend policy significantly and favourably affects the corporate value. The amount of corporate value that the company owns is reflected in the dividend policy that it offers investors.
- c. Dividend policy is positively and significantly impacted by financial performance. A solid financial performance shows that the corporate can provide investors with an alluring dividend policy.
- d. The relationship between corporate value and financial performance is mediated by dividend policy. When a company achieves strong financial performance, it is positioned to implement an effective dividend policy, thereby enhancing its corporate value.

The findings of the research that has been done make it clear that there is a relationship between financial performance and corporate value, mediated by dividend policy. Consequently, this research can offer valuable benefits and implications for various parties, including the following:

To increase corporate value, the company should prioritize improving its Financial Performance, a critical benchmark for maintaining stability, particularly in terms of profitability. Key indicators such as Net Profit Margin (NPM), Return on Equity (ROE), and Return on Assets (ROA) will effectively signal to investors and stakeholders the corporate value held by the company. Furthermore, the decision-making process regarding dividend policy must be optimized, as the unidirectional impact of dividend policy can reinforce the connection between financial performance and corporate value.

In making investment decisions, whether by current or prospective investors, corporate value should serve as a benchmark to evaluate the company's potential for long-term profitability. Key considerations influencing this assessment include the company's financial performance and dividend policy, because these elements contribute to stability and reflect corporate value. This evaluation enables investors to measure the company's sustainability and offers insight into the potential for optimal returns on their investments.

### **FURTHER STUDY**

Based on the results of the research conducted, this study has several limitations. Specifically, the indicators for each independent variable are restricted; for the Financial Performance variable, only three indicators are utilized: Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin (NPM), alongside a single mediating variable, Dividend Policy. Furthermore, this research is limited to companies engaged in the manufacturing industry listed on the Indonesia Stock Exchange (IDX).

Given the aforementioned limitations, it is recommended that future researchers in this field incorporate or modify additional variable indicators associated with Financial Performance to facilitate a comparison of which indicator exerts a greater influence on Financial Performance.

### **REFERENCES**

- Ajanthan, A. (2013). The Relationship Between Dividend Payout and Firm Profitability: A study of listed hotels and restaurant companies in Sri Lanka. *International Journal of Management, IT and Engineering*, 3(12), 98-114.
- Asante-Darko, D., Adu Bonsu, B., Famiyeh, S., Kwarteng, A., & Goka, Y. (2018). Governance structures, cash holdings and firm value on the Ghana Stock Exchange. *Corporate Governance (Bingley)*, 18(4), 671-685. <https://doi.org/10.1108/CG-07-2017-0148>
- Ayuningtias, D. K. (2013). Pengaruh Profitabilitas Terhadap Nilai Perusahaan: Kebijakan Dividen Dan Kesempatan Investasi Sebagai Variabel Antara. *Jurnal Ilmu Dan Riset Akuntansi*, 1(1), 37-57.
- Bartlett, R. P., & Partnoy, F. (2018). The Misuse of Tobin's Q. UC Berkeley Public Law Research Paper.
- BKPM. (2020). Industri Manufaktur di Indonesia Sebagai Basis Produksi di ASEAN. Badan Koordinasi Pasar Modal.
- Brigham, E. F., & Houston, J. F. (2021). *Fundamentals of financial management*. Nelson Education.
- Ferina, I. S., & Tjandrakirana DP, R. (2015). Pengaruh Kebijakan Dividen, Kebijakan Hutang, dan Profitabilitas terhadap Nilai Perusahaan. *Jurnal Akuntanika*, 2(1), 52-66.
- Firmansyah, A., & Suwitho. (2017). Pengaruh Ukuran Perusahaan Dan Profitabilitas Terhadap Nilai Perusahaan Melalui Kebijakan Dividen. *Jurnal Ilmu Dan Riset Manajemen*, 6(1), 1-18.
- Gitman, L. J., & Zutter, C. J. (2019). *Principles of Managerial Finance*. Global

Edition: Pearson Education Limited. 15.

- Gordon, M. J. (1959). Dividends, earnings, and stock prices. *The Review of Economics and Statistics*, 99-105.
- Gumati, T. A. (2016). *Manajemen Investasi*. Mitra Wacana Media.
- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review*, 31(1), 2-24. <https://doi.org/10.1108/EBR-11-2018-0203>
- Hantono, H. (2018). the Effect of Current Ratio, Debt to Equity Ratio, Toward Return on Assets (Case Study on Consumer Goods Company). *Accountability*, 7(02), 64. <https://doi.org/10.32400/ja.24804.7.02.2018.64-73>
- Hasanah, A. N., & Lekok, W. (2019). Faktor-Faktor yang Mempengaruhi Nilai Perusahaan: Kebijakan Dividen sebagai Pemediasi. *Jurnal Bisnis Dan Akuntansi*, 21(2), 165-178.
- Husain, T., Sarwani, Sunardi, N., & Lisdawati. (2020). Firm's Value Prediction Based on Profitability Ratios and Dividend Policy. *Finance & Economics Review*, 2(2), 13-26. <https://doi.org/10.38157/finance-economics-review.v2i2.102>
- Husnan, S. (2018). *Manajemen Keuangan Teori dan Penerapan (keputusan jangka panjang)*. Yogyakarta: BPFE, 40806.
- Jinoria, K. (2014). The Definition of Business Enterprise Overview. *European Scientific Journal*, 1(November), 130-135.
- Kieso, D. E., Weygandt, J. J., Warfield, T. D., Wiecek, I. M., & McConomy, B. J. (2019). *Intermediate Accounting, Volume 2*. John Wiley & Sons.
- Mai, M. U. (2017). Pengaruh Corporate Governance Mechanism Terhadap Nilai Perusahaan Melalui Pertumbuhan, Profitabilitas Dan Kebijakan Dividen. *EKUITAS (Jurnal Ekonomi Dan Keuangan)*, 19(1), 42. <https://doi.org/10.24034/j25485024.y2015.v19.i1.1761>
- Mangesti Rahayu, S., Suhadak, & Saifi, M. (2019). The reciprocal relationship between profitability and capital structure and its impacts on the corporate values of manufacturing companies in Indonesia. *International Journal of Productivity and Performance Management*, 69(2), 236-251. <https://doi.org/10.1108/IJPPM-05-2018-0196>
- Miller, M. H., & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. *The Journal of Business*, 34(4), 411-433.
- Mirah, A. A. A., Devi, V., & Suardikha, I. M. S. (2014). KEBIJAKAN DIVIDEN DENGAN LIKUIDITAS SEBAGAI VARIABEL PEMODERASI Fakultas Ekonomi Universitas Udayana (Unud), Bali, Indonesia Fakultas Ekonomi Universitas Udayana (Unud), Bali, Indonesia Email: ayumirah\_devi@yahoo.co.id Salah satu daya tarik berinve. 12, 702-717.
- Nariswari, T. N., & Nugraha, N. M. (2020). Profit Growth: Impact of Net Profit Margin, Gross Profit Margin and Total Assests Turnover. *International Journal of Finance & Banking Studies (2147-4486)*, 9(4), 87-96. <https://doi.org/10.20525/ijfbs.v9i4.937>
- Norhayati, M., Hui, W. S., Omar, N. H., Rahman, R. A., Mastuki, N., Aziz, M. A. A., & Zakaria, D. S. (2012). Empirical analysis of determinants on

- dividend payment: profitability and liquidity. Accounting Research Institute.
- Peavler, R. (2018). The Goals of Shareholder Wealth Maximization, *The Balance small Business*, 07.
- Ratnawardhani, E. A. (2017). Kebijakan Deviden Sebagai Variabel Intervening Atas Pengaruh Corporate Governance Terhadap Nilai Perusahaan. *Jurnal Akuntansi Aktual*, 4(2), 134-141.
- Ringle, C. M., Wende, S., & Becker, J.-M. (2015). *SmartPLS 3*. Boenningstedt: SmartPLS GmbH.
- Ross, L. (1977). The intuitive psychologist and his shortcomings: Distortions in the attribution process. In *Advances in experimental social psychology* (Vol. 10, pp. 173-220). Elsevier.
- Rutkowska-Ziarko, A. (2015). The Influence of Profitability Ratios and Company Size on Profitability and Investment Risk in the Capital Market. *Folia Economical Steineses*, 15(1), 151-161. <https://doi.org/10.1515/fofi-2015-0025>
- Setiawan, S. (2020). Analisa parsial model persamaan struktural dengan software SMART-PLS. Tutorial.
- Siswoyo, E., & Oetomo, H. W. (2012). Analisis Rasio Aktivitas Terhadap Nilai Perusahaan yang Diukur dengan Metode Tobin's Q pada Perusahaan Kertas yang Go Public di Bursa Efek Indonesia. *Jurnal Ilmu & Riset Manajemen*, 1(9).
- Sucuahe, W., & Cambarihan, J. M. (2016). Influence of Profitability to the Firm Value of Diversified Companies in the Philippines. *Accounting and Finance Research*, 5(2). <https://doi.org/10.5430/afr.v5n2p149>
- Sugiyono, P. D. (2017). *Metode Penelitian Bisnis: Pendekatan Kuantitatif, Kualitatif, Kombinasi, dan R&D*. Penerbit CV. Alfabeta: Bandung.
- Suhadak, S., Kurniaty, K., Handayani, S. R., & Rahayu, S. M. (2019). Stock return and financial performance as moderation variable in influence of good corporate governance towards corporate value. *Asian Journal of Accounting Research*, 4(1), 18-34. <https://doi.org/10.1108/ajar-07-2018-0021>
- Ulistianingsih, E. D., & Yuniati, T. (2016). Pengaruh Kepemilikan Manajerial dan Profitabilitas terhadap Nilai Perusahaan melalui Kebijakan Dividen. *Jurnal Ilmu Dan Riset Manajemen*, 5(5), 1-20.
- Wahjudi, E. (2019). Factors affecting dividend policy in manufacturing companies in Indonesia Stock Exchange. *Journal of Management Development*, 39(1), 4-17. <https://doi.org/10.1108/JMD-07-2018-0211>
- Wong, K. K. K.-K. (2013). 28/05 - Partial Least Squares Structural Equation Modeling (PLS-SEM) Techniques Using SmartPLS. *Marketing Bulletin*, 24(1), 1-32.
- Zaman, D. R. (2018). Effect of Financial Performance on Dividend Policy in Manufacturing Companies in Indonesia Stock Exchange. *Integrated Journal of Business and Economics*, 2(1), 49. <https://doi.org/10.33019/ijbe.v2i1.58>