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THE EFFECT OF PROFITABILITY AND LEVERAGE ON FIRM VALUE: DIVIDEND POLICY AS AN INTERVENING

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ABSTRACT

This study aims to examine the effect of profitability and leverage on Firm Value through Dividend Policy on Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2018-2022. This type of research is quantitative research. The data used in this study is secondary data in the form of financial statements obtained from the Indonesia Stock Exchange website and the Idn Finance website. The sample used in this study is Manufacturing companies listed on the Indonesia Stock Exchange in 2018-2022. The sampling technique used in this study used purposive sampling and research data was obtained from 129 samples. The analysis tool used in this study is Eviews 12. The data was analyzed using the sobel test. The results of the study show that Profitability and Dividend Policy have a significant positive effect on the Company's Value, Leverage has no effect on the Company's Value, Profitability has no effect on the Dividend Policy, Leverage has a significant positive effect on the dividend policy. The results of the sobel test show that the Influence of Profitability on Firm value through the Dividend Policy, and the Dividend Policy cannot intervene the Influence of Leverage with the Firm value.
Keywords: Profitability, Leverage, Dividend policy, Firm Value.

INTRODUCTION

The main goal of a company is to maximize the value of its company or the prosperity of its shareholders. Maximizing the value of a company means maximizing the profits that will be received by its shareholders. The actual value of a company can be measured through the company's share price in the capital market. The relationship between firm value and stock price is often linked as an investor's response to the company's success rate (Putri & Sari, 2020). Some of the factors that affect the value of companies in this study are Leverage, Profitability, dividend policy.

The financial management of public companies is responsible for continuously increasing the value of the company by paying attention to the determinants that affect it, such as dividend policy, leverage, and profitability (Mubyarto, 2019). In general, organizations use loans or debt to finance the company's operational activities.

Leverage is defined as a ratio that describes the relationship between a company's debt and capital or assets, which reflects the extent to which the company is funded by debt or external parties compared to the capital owned by the company (Nurul & Sutjipto, 2018). The financial management of public companies is responsible for continuously increasing the value of the company by paying attention to the

determinants that affect it, such as dividend policy, leverage, and profitability (Mubyarto, 2019).

Based on the above problems, the purpose of this study is to partially test the Profitability, Leverage affects the Firm value with Dividend Policy as an intervening variable in Manufacturing Companies on the Indonesia Stock Exchange.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Profitability to Firm value

Profitability is the ability of a company to generate profits from activities that occur during an accounting period (Brigham and Houston, 2001:24). The profitability of a company describes that the company is doing well. Profitability is an attraction for investors to invest in their company, which has resulted in an increase in the value of the company.

Profitability is the output of a company in carrying out its operations. More profitable companies tend to have higher values. High profitability indicates that the company is able to generate sufficient cash flow from its operating activities. The value of a company can be defined as market value because the value of a company describes the prosperity of its shareholders if the company's share price increases. Investors tend to see companies with higher profitability levels because they are considered more stable and less risky. The high interest of investors to invest their capital in companies with high profitability will increase the stock price so that it will increase the value of the company (Pratama & Nurhayati, 2021).

H1: Profitability has a significant positive effect on the company's value.

Leverage on Firm value

Leverage is the ability of a company to meet all of its financial obligations consisting of short-term debt and long-term debt (Maharani, 2021). Leverage arises because a company needs money to meet its operational needs.

Leverage refers to the use of borrowed or debt funds by a company to finance their operations or investments. A company can be said to be good if it has well-managed debt, because good debt management can allow the company to continue to grow and generate profits. According to Jensen and Meckling (1976) stated that debt can reduce the free cash flow in the company, so that the risk of misappropriation that can be carried out by the management (agent) can be reduced.

H2: Profitability has a significant positive effect on the company's value.

Dividend Policy on Firm value

Dividend policy is a decision related to the use of profits that are the rights of shareholders and these profits can be divided as dividends or retained profits to be reinvested (Maharani, 2021). Dividend policy is a factor in the rise and fall of stock prices

as well, because investors assume that companies that distribute dividends consistently and continuously will bring them prosperity. Dividend policy is a financial decision made by a company whether the profits generated will be distributed to shareholders or retained as retained earnings. Stable and regular dividends can be an indicator of a company's financial health. The provision of dividends gives a positive signal to investors. Potential investors are interested when the company distributes high dividends to its investors. With this interest, the stock price soared which then also increased the company's value.
H3: Dividend policy has a significant positive effect on the company's value.

Profitability to Dividend Policy

The company always considers all policies in its company operations in order to achieve the goal, namely profit**.** Profitability is necessary when the company is going to distribute dividends. The higher the level of profitability, the better it is because the dividends that will be distributed will also increase in capacity. This is in accordance with the bird-in-the-hand theory developed by Gordon (1956) and Lintner (1962) stating that investors prefer cash dividends to be promised returns on investment (capital gains) in the future, because receiving cash dividends is a form of certainty which means reducing risk.
H4: Profitability has a significant positive effect on the Dividend Policy.

Leverage on Dividend Policy

A company takes funding through debt for the Company's operations, investors view this as a positive signal because the company wants to develop and expand. Based on agency theory (Jensen and Meckling, 1976) there are several factors that can reduce agency costs, namely leverage and dividend policy. Interest paid on debt can generally be considered a deductible expense from a company's income for taxation purposes. This means that companies pay less taxes because interest is reduced from taxable income. These tax savings can increase the cash flow available for dividend payments or investments, which means that the dividend distribution will be even larger.
H5: Leverage has a significant positive effect on the Dividend Policy.

Profitability to Firm value through Dividend Policy

A high level of profitability can also indicate good company management and positive prospects, which can influence management's decision to pay higher dividends. Dividends paid regularly can signal that the Company is in a stable position. Investors' perception of dividend policy can affect stock prices. If a company has a dividend policy that is considered positive, the stock price automatically rises due to higher investor interest. When a company is able to generate profits from its business operations, the company will be willing to distribute dividends to investors, with consistent dividend

distribution, it will increase market confidence in the company and will significantly increase the value of the company (Khasbulloh, et al. 2023).

H6: Profitability has a positive and significant influence on the Company's Value through the Dividend Policy

Leverage on Firm value through Dividend Policy

In its operations, some companies need capital outside of their own capital. The use of loan funds can increase the profit available to shareholders after deducting interest expenses. This can make companies more likely to pay larger dividends and potentially increase the company's value. If the company has a stable dividend policy and a well-managed debt level, this can create the perception that the company has enough income to pay dividends consistently. This may increase the value of the company in the eyes of investors. The use of debt can result in tax savings, in accordance with Tax saving theory (tax Shield theory) which states that leverage (the use of debt) can increase the value of the company by reducing the tax burden that must be paid by the company.

H7: Leverage has a positive and significant influence on the Company's Value through the Dividend Policy

RESEARCH MODEL

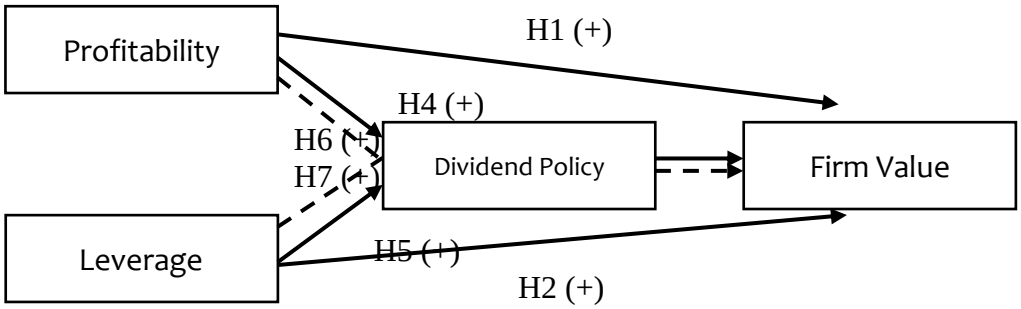

Figure 1. Model Penelitian

RESEARCH METHOD

Type of Research

This study uses a quantitative approach where data is in the form of data in the form of numbers as generally collected through structured questions (Sekaran & Bougie, 2016).

Data

This study uses a type of secondary data. Data collection uses documentation in the form of financial statements recorded on the Indonesia Stock Exchange for the 2018-2022 period and taken from the www.idnfinancials.com and www.idx.co.id websites.

Population and Sample

The population used in this study is Manufacturing companies listed on the Indonesia Stock Exchange in 2018-2022. The sampling technique used in this study uses purposive sampling, with the following criteria:

a. Manufacturing companies listed and listed on the Indonesia Stock Exchange (IDX) during the research period.
b. Manufacturing companies that have published financial statements in rupiah currency units in the research period.
c. Manufacturing companies that generate profits in the research period.
d. Manufacturing companies that receive dividends in the research period.

The number of sample data in this study is 294.

Operational Definition

The variables used in this study are three types of variables, namely, independent, dependent and intervening. The dependent variable in this study is the value of the company.

1. Variabel Depend (Y)

   The dependent variable used in this study is Firm value. Measurement of firm value using *Price Book Value* (PBV). The formula used according to (Atmikasari et al 2020):

$$PBV = \frac{Harga\ Pasar\ Saham\ Per\ lembar}{Nilai\ Buku\ Per\ lembar}\ x\ 100\%$$

2. Independent Variable (X)

   a) The profitability measurement in this study is using *Return On Assets* (ROA). The following is the formula used to calculate ROA According to (Hasbullah et al 2023):

$$ROA = \frac{Laba\ Bersih\ setelah\ Pajak}{Total\ Aset}\ x100\%$$

   b) The leverage measurement in this study uses *the Debt to Equity Ratio* (DER). Formula used to calculate DER (Setiabudi, 2022):

$$DER = \frac{Total\ Hutang}{Total\ Ekuitas}$$

3. Variabel Intervening (Z)

   The measurement of dividend policy in this study is using the *Dividend Payout Ratio* (DPR). The formula used to calculate the House of Representatives According to (Iswara et al 2022):

$$DPR = \frac{Dividen\ per\ lembar\ saham}{Laba\ per\ lembar\ saham}$$

Analysis Tools

The analysis tool used in this study uses gradual regression supported by E-Views 12.

Descriptive Analysis

In this study, the descriptive statistics used are mean, standard deviation, maximum and minimum values.

Inferential Analysis

a. Regression Equation

The gradual regression equation is written as follows:

$Y_1 = a + b_1x_1+b_2x_2+ +e$ ..... (persamaan 1)

$Y_2 = a + b_1x_1 + b_2x_2 +b_3y_1+ e$ ..... (Persamaan 2)

Where:

Y_1 : Dividend Policy

Y_2 : Firm value

a : Constant Value

b : Regression Coefficient Value

X_1 : Profitability

X_2 : Leverage

e : Standard *Error*

b. Model Estimation Testing

The type of data used in this study is panel data where panel data is a combination of *time series* and *cross section data.* This method uses the *Ordinary Least Square* (OLS) approach. There are three approaches in estimating the regression model using panel data (Basuki, 2017), namely:

1) *Common effect model* (CEM)

The CEM model is the simplest panel data estimation model by combining *time series* and *cross section data*.

2) *Fixed Effect Model* (FEM)

The panel data estimation in the FEM model is by using dummy variables to find out the difference in each perception result in the company.

3) *Random effect Model* (REM)

An estimate in the REM model is panel data where variables experience disturbances that may be interrelated between time and between these variables.

c. Model Selection

In determining the most appropriate regression model and in accordance with the characteristics that will be used in the study, namely by conducting several tests, including *the Chow test* and the Hausman test.

1) Chow Test

Test use *Chow* is used to select models between FEM and CEM, where when the

rejection of H0 can be seen from the results *probability statistic*. If the value *probability* < the critical value (0.05) then Ha is accepted, and vice versa, then the hypothesis:

H0: *Common effect model* (CEM)

Ha : *Fixed Effect Model* (FEM)

2) *Hausman Test*

The Hausman test or *hausman* test is used to choose the use of the FEM model or the REM model. if after performing the *Chow* test and it turns out to have a *probability* value < a critical value (0.05) then H0 is accepted (*Fixes Effect Model*), but if after performing *the Chow* test, *the probability* value > the critical value (0.05) then the right model is *theRandom effect Model*, if *the random effect* is accepted then the classical assumption test is not used, but *if the Fixed Effect Model* is accepted then the classical assumption test should be used:

H0: *Fixed Effect Model* (FEM)

Ha: *Random effect Model* (REM)

3) Uji *Lagrange Multiplier* (LM *test*)

The autocorrelation test with the LM test is mainly applied to a large sample of more than 100 observations.

d. Classical Assumption Test

The purpose of the classical assumption test is to obtain the regression results of the *Best Linear Unbiased prediction* (BLUE). The classical assumptions consist of a normality test, an autocorrelation test, a multicoloniality test, and a heteroscedasticity test.

e. Uji Hipotesis

1) Test F

The F test aims to test the feasibility of the model or to find out whether the regression model is good/bad. According to Ghozali (2018), where:

a. If the significance of F < 0.05 then H0 is rejected which means that the equation model of this study is feasible.
b. If the significance of F > 0.05, then H0 is accepted i.e. this equation model is not feasible.

2) Test t (partial test)

The testing steps are as follows:

a. Determining H0 and H_1

H_0 : the independent variable does not have a significant effect on the dependent variable.

H_1: The independent variable has a significant effect on the dependent

variable.

b. Determine the significance level of 5% or α = 0.05.

c. Drawing conclusions from the results of data processing, as follows:
   If the significance value α > 0.05, it means that Ho is accepted and H1 is rejected, it means that the independent variable does not have a significant effect on the dependent variable.
   If the significance value α < 0.05, it means that Ho is rejected and H1 is accepted, which means that the independent variable has a significant effect on the dependent variable.

3) Determination Coefficient Test (R2)
   The Coefficient of Determination (R2) is used to measure how far the model is able to explain the variance of dependent variables. The R2 values are 0 and 1.

f. Sobel Test
   The sobel test or sobel *test* is a test to find out whether a relationship through a mediating variable is significantly able to act as a mediator in the relationship.

RESULT

1. Description of Research Objects

Tabel 1. Descriptive Analysis

Information	ROA	THE	DPR	PBV
Mean	0.080889	0.740016	0.415165	0.826264
Median	0.066576	0.583256	0.317493	0.044757
Maximum	0.716023	3.751169	2.624007	9.788399
Minimum	0.001914	0.063869	0.001751	0.000422
Std. Dev.	0.072091	0.580947	0.377199	1.453916
Observations	294	294	294	294

Source: Data processed

2. Hypothesis Testing

Table 2. Chow Test Results Equation 1

Effects Test	Statistic	d.f	Prob.
Cross-section F	2.467084	(97,194)	0.0000
Cross-section Chi-square	236.255099	97	0.0000

Source: Data processed

Based on table 2, it is known that the Statistical Cross-Section ChiSquare value is 236.255099 with a probability value of 0.0000, so it means less than 0.05 (0.0000 < 0.05). The model chosen for equation I is the Fixed Effect Model.

Table 3. Chow Test Results Equation 2

Effects Test	Statistic	d.f	Prob.
Cross-section F	10.196211	(97,193)	0.0000
Cross-section Chi- square	532.816330	97	0.0000

Source: Data processed

Based on table 3, it is known that the Statistical Cross-Section ChiSquare value is 532.816330 with a probability value of 0.0000, then it means less than 0.05 (0.0000 < 0.05). The model chosen for equation 2 is the Fixed Effect Model.

Table 4. Results of the Hausman Test Equation 1

Test Summary	Chi-Sq. Statistic	d	Prob.
Cross-section random	0.658619	2	0.7194

Source: Data processed

Based on table 4, it is known that the Statistical Chi-Square value is 0.658619 with a probability value of 0.7194 > 0.05. So it can be concluded that the decision to select the model for equation 1 is the Random effect Model.

Table 5. Results of the Hausman Test Equation 2

Test Summary	Chi-Sq. Statistic	d	Prob.
Cross-section random	4.093089	3	0.2516

Source: Data processed

Based on table 5, it is known that the Statistical Chi-Square value is 4.093089 with a probability value of 0.2516 > 0.05. So it can be concluded that the decision to select the model for equation 2 is the Random effect Model.

Table 6. Results of Equation Regression Analysis 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.368830	0.055283	6.671650	0.0000
ROA	1.224365	0.325666	3.759573	0.0002
THE	-0.063087	0.045817	-1.376931	0.1696

Source: Data processed

The results of the Regression Analysis in Equation 1 can be seen, as follows:

DPR = 0.368830 + 1,224365Roa – 0.063087s + E

Based on table 6 of the results of the regression analysis of equation 1, it can be known:

a. The value of the constant in this equation, is 0.368830. This means that if the ROA, and DER are each zero, then the DPR, will be 0.368830.
b. The coefficient of ROA, is 1.224365. that is, if the ROA rises by 1, then the DPR rises by 1.224365, and vice versa, and other variables are constant.
c. The DER coefficient is 0.063087, meaning that if the DER increases by 1, then the DPR value decreases by 0.063087 and vice versa, and the other variables

are constant.

Table 7. Results of Equation Regression Analysis 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.685178	0.222713	3.076501	0.0023
ROA	3.325073	1.012527	3.283936	0.0011
THE	-0.078115	0.178113	-0.438572	0.6613
DPR	0.348481	0.159009	2.191584	0.0292

Source: Data processed

The results of the Regression Analysis in Equation 1 can be seen, as follows:

PBV = 0.685178 + 3,325073ROA - 0.0781156s + 0.348481DPR + E

Based on table 7 of the results of the regression analysis of equation 2, it can be known that

a. The value of the constant in this equation is 0.685178, meaning that if the ROA, DER, and DPR are each zero, then the PBV, will be 0.685178.
b. The coefficient of ROA, valued at 3.325073, means that if the ROA increases by 1, then the PBV increases by 3.325073 and vice versa, and the other variables are constant.
c. The DER coefficient is -0.078115, meaning that if the DER increases by 1, then the PBV value decreases by -0.078115 and vice versa, and the other variables are constant.
d. The DPR coefficient is 0.348481, meaning that if 0.348481 increases by 1, then the PBV value increases by 0.348481 and vice versa and other variables are constant.

Test F

Table 8. Test Results F equation 1

Weighted Statistics	
F-statistic	9.189416
Prob(F-statistic)	0.000135

Source: Data processed

Based on table 8 of the results of the simultaneous test (test F), it can be seen that the Probability F value of 0.000135 < 0.05 means that the independent variables, namely Profitability (X1) and Leverage (X2) are simultaneously suitable for the model to be used.

Table 9. Test Results F Equation 2

Weighted Statistics	
F-statistic	6.002949

Prob(F-statistic)	0.000557

Source: processed data

Based on table 9 of the results of the simultaneous test (test F), it can be seen that the Probability F value of Statistics 0.000557 < 0.05 means that the independent variables, namely Profitability (X1) and Leverage (X2) are simultaneously the model is suitable for use.

Test t (partial test)

Table 10. Results of the t-test equation 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Information
C	0.368830	0.055283	6.671650	0.0000	Supported
ROA	1.224365	0.325666	3.759573	0.0002	Supported
THE	-0.063087	0.045817	-1.376931	0.1696	Not supported

Source: processed data

The t-test in equation 1 has the purpose of determining the influence of Profitability and Leverage on Firm value. Based on table 10, we can conclude that:

1. Profitability is the Company's Value.
   Based on the results of the t-test of equation 1 in table 10, Profitability (X1) has a coefficient value of 1.224365 and a probability value of t-statistic of 0.0002 < 0.05, then H1 is supported, which means that Profitability (X1) is partially proven to have a significant positive effect on the Company's Value (Y).
2. Leverage on Dividend Policy
   Based on the results of the t-test of equation 1 in table 10, Leverage (X2) has a coefficient value of -0.063087 and a probability value of t-statistic of 0.1696 > 0.05, then H5 is not supported, which means that Leverage (X2) is partially proven to have no significant effect on the Company's Value (Y).

Table 11. Results of the t-test equation 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Information
C	0.685178	0.222713	3.076501	0.0023	Supported
ROA	3.325073	1.012527	3.283936	0.0011	Supported
THE	-0.078115	0.178113	-0.438572	0.6613	Not supported
DPR	0.348481	0.159009	2.191584	0.0292	Supported

Source: Data processed

The t-test in equation 2 has the purpose of determining the influence of Profitability,

Leverage, and dividend policy on the value of the company. Based on table 11, we can conclude that:

1. Profitability to Firm value
   Based on the results of the t-test of equation 2 in table 11, Profitability (X1) has a coefficient value of -3.325073 and a probability t-statistic value of 0.0011 < 0.05, then H1 is accepted, which means that Profitability (X1) is partially proven to have a positive and significant effect on the Company's Value (Y). These results show that the first hypothesis is supported.
2. Leverage on Firm value
   Based on the results of the t-test of equation 2 in table 4.12, Leverage (X2) has a coefficient value of -0.078115 and a probability value of t-statistic of 0.6613 > 0.05, then H2 is rejected, which means that Leverage (X2) is partially proven to have no significant effect on the Firm value (Y). These results suggest that the second hypothesis is not supported.
3. Dividend policy on Firm value
   Based on the results of the t-test of equation 2 in table 11, the Dividend Policy (Z) has a coefficient value of 0.348481 and a probability value of t-statistic of 0.0292 < 0.05, then H3 is accepted, which means that the Dividend Policy (Z) is partially proven to have a significant positive effect on the Company's Value (Y). This suggests that the third hypothesis is supported by

Sobel Test

The Sobel test is used to find out whether the influence of mediation or intervening variables is significant or not (hypothesis 6 and hypothesis 7), so it is necessary to carry out the Sobel test as follows:

1. From the calculation above, it can be seen that the calculated value produced is 1.9930 which is greater than the t-value$_{\text{of the table}}$ (1.96), so it can be interpreted that the *intervening* variable is significant, so it can be concluded that profitability affects the company's profitability through the dividend policy. So the sixth hypothesis Dividend policy can *intervening* profitability with the value of the company supported.
2. From the calculation above, it can be seen that the calculated value produced is -0.3465 which is smaller than the t-value$_{\text{of the table}}$ (1.96), so it can be concluded that the dividend policy cannot affect the indirect relationship of Leverage to the value of the company. So the seventh hypothesis of the influence of leverage on firm value through dividend policy is not supported.

Determination Test (R2)

Table 12. R2 Test Results Equation 1

R-squared	0.059406
Adjusted R- squared	0.052941

Source: Data processed

Based on the results of the table above, it can be seen that the results of the determination coefficient test, the value generated from the Adjusted R Squares is 0.052941 so that it can be known that the determination coefficient number is 5.29%. This figure means that 5.29% of the dividend policy variables can be explained by the Profitability and Leverage variables. While the remaining 94.71% is explained by other variables that are not explained in this study

Table 13. R2 Equation 2 Test Results

R-squared	0.058469
Adjusted R-squared	0.048729

Source: Data processed

Based on the results of the table above, it can be seen that the results of the determination coefficient test, the value produced from the Adjusted R Squares is 0.048729 so that it can be seen that the determination coefficient number is 4.87%. This figure means that 4.87% of the dividend policy variables can be explained by the Profitability and Leverage variables. While the remaining 95.13% is explained by other variables that are not explained in this study

DISCUSSION

The value of a company describes the prosperity of its shareholders if the company's share price increases. Investors tend to see companies with higher profitability levels because they are considered more stable and less risky. A high level of profitability can attract investors and support an increase in the value of the company. Investors definitely expect a return on their investment. When they invest a large amount of capital, they automatically expect a large return as well. Investors often consider profitability when assessing investment potential. A good level of profitability can increase investor confidence in the company's future prospects, which can result in higher demand for shares and, ultimately, an increase in the value of the company. The results of this study are in line with research conducted by Khasbulloh et al., (2023) which states that Profitability has a significant effect on firm value.

Leverage has no effect on the company's value, meaning that the amount of leverage will have no effect on the company's value. This is because companies that experience an increase in leverage ratios, so the company has to pay higher interest to creditors which can reduce the company's net profit and reduce the company's value. The company must ensure to be able to fulfill its interest and principal payment obligations. If the company is in financial difficulty, its ability to pay debts can be

disrupted and cause a decline in the company's value. The results of this study are in line with research conducted by Lamba & atahau (2022) which states that leverage has a significant negative effect on the company's value.

The dividend policy has a positive and significant effect on the company's value, meaning that the amount of the dividend policy has an effect on the company's value. Dividend policy is inseparable from the company's funding decision. Dividend policy is a financial decision made by a company whether the profits generated will be distributed to shareholders or retained as retained earnings. The provision of dividends gives a positive signal to investors. Dividend policy is a decision related to income, the company's income can be distributed to investors which is referred to as dividends or will be retained earnings. Investors are interested when the company distributes high dividends to its investors. With this interest, the stock price soared which then also increased the company's value. This is in accordance with the bird in the hand theory, where investors prefer dividends to capital gains because investors prefer the definite rather than waiting for capital gains that are riskier. Therefore, investors will prefer dividend distribution. The results of this study are in line with research conducted by Pertiwi & Dewati (2022) which states that dividend policy has a significant/insignificant effect on the company's value.

Profitability has a significant negative effect on dividend policy. The high level of profitability does not affect the size of the dividends that will be distributed. Companies tend to plan to invest in assets in the future. The results of this study are in line with research conducted by Nurfatma & Purwohandoko (2020) which states that Profitability has no effect on dividend policy.

Leverage has a significant positive effect on dividend policy, meaning that the larger the Debt to Equity Ratio can show the greater the company's dependence on external parties, namely creditors, which means that the company can use its debt for the company's operational activities and the result can increase profits for the company and can distribute dividends to shareholders. However, companies must effectively monitor their company's leverage level so that it is always safely limited and can be controlled. So the company does not need to reduce the amount of dividends that will be distributed to shareholders. Because companies that have a high amount of debt as long as they do not exceed the limit of the company's normal capabilities, the company also has the opportunity to expand and innovate products that can ultimately increase the company's net profit. This study uses a sample of companies that pay dividends every year. It is a stipulation that a company, whether it experiences profit or loss, the dividend policy will continue to run The results of this study are in line with research conducted by Prasetyo, et al. (2021) which states that Leverage has a significant/insignificant effect on dividend policy.

Dividend policy can mediate the influence between profitability and firm value, with this meaning that companies that generate high profitability prove that the company

has prospects. A surge in a company's profits indicates that the company can manage the profits or profits obtained to become retained earnings and distributed in the form of dividends to its shareholders. This will make investors to invest more capital in the company. With the increase in the amount of investment in the company's stock, it will make the stock price rise, which means the value of the company increases. The results of this study are in line with research conducted by Setyabudi (2022), which states that dividend policy is able to mediate the influence of Profitability on Firm value.

Leverage does not have a significant effect on the company's value through the dividend policy, the size of the use of debt, will not affect the size of the dividend distribution, this is because the debt owned by the company is considered not to have too much risk, so it does not affect the funding decision in distributing dividends. The size of the dividend distribution will not affect the value of the company because investors only want to take profits in a short period of time by obtaining capital gains. The results of this study are in line with research conducted by Sari, et al. (2022) which stated that dividend policies are not able to mediate the effect of leverage on firm value.

CONCLUSION

Profitability has a positive and significant effect on the company's value. The amount of Profitability indicates that the Company has a good performance and attracts investors to invest its capital which then increases the value of the Company.

Leverage does not have a significant effect on the value of the company. Companies that experience an increase in the leverage ratio must pay higher interest and may reduce net profit and reduce the value of the company.

The dividend policy has a positive and significant effect on the Company's value. Companies that distribute high dividends will attract investors and make their stock prices soar, which then also increases the value of the company.

Profitability does not have a significant effect on dividend policyCompanies that have increased profits tend to plan to invest in assets in the future, which means that they do not have an effect on the existing dividend policy.

Leverage has a significant positive effect on the Dividend Policy. The company can use its debt for the company's operational activities and the results can increase profits for the company and can distribute dividends to shareholders.

Dividend policy is able to intervene and strengthen the influence of profitability on the company's value. A good dividend policy will prosper its investors. This encourages the Company to maximize its profitability level in order to distribute dividends consistently which then increases the value of the company.

Dividend policy is not able to intervene and strengthen the influence of *leverage* on the company's value. The amount of debt used will not affect the size of dividend distribution because the debt owned by the company is considered not too risky, so it does not affect the funding decision in distributing dividends.

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