

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