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PROFITABILITY, DIVIDEND POLICY, AND FIRM VALUE: EVIDENCE FROM COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

Firm value is the most important indicator when making investment decisions, as it reflects investors' perceptions of a company's financial performance, growth prospects, and future sustainability. Beyond profitability, financial strategies such as dividend policy play a crucial role in increasing firm value by signaling to investors about management confidence and financial stability. This research aims to examine the contribution of profitability to dividend policy, the effect of profitability on firm value, the contribution of dividend policy to firm value, and the mediating role of dividend policy in the correlation between profitability and firm value. The research also focused on food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. A quantitative approach was applied using secondary data obtained from annual financial reports. The sampling was aimed at 19 companies, resulting in 95 observations. The data were analyzed using Partial Least Squares (PLS) with SmartPLS version 4.1.1.2. The results show that profitability has a positive, then significant, contribution to dividend policy and firm value. Dividend policy also has a positive, then significant, contribution to firm value. Furthermore, dividend policy has been shown to partially mediate the correlation between profitability and firm value. These findings support signalling theory, which suggests that profitability and dividend policy serve as positive signals to investors in assessing a company's value. Consequently, companies with strong profitability and consistent dividend policies tend to achieve higher market value.
Keywords: Profitability, Dividend Policy, Firm Value, Indonesia Stock Exchange

I. INTRODUCTION

In conducting its operations, a company is required to determine specific performance targets to be achieved. One of the primary objectives of corporate management is to maximize firm value. Firm value represents market perceptions of a company's overall condition, reflecting its performance, growth prospects, and risk profile. A high firm value indicates increased shareholder welfare, while a low firm value reflects unfavorable conditions from the perspective of investors (Kalbuana et al., 2021).

Although the ability to generate profits is a fundamental indicator of company performance, financial policies—particularly dividend policy—also play a crucial role, as they convey important signals to the market. Based on signalling

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theory, companies attempt to transmit positive information through financial performance, dividend decisions, and strategic actions to strengthen investor confidence, which ultimately contributes to higher firm value. The food and beverage industry in Indonesia has experienced substantial growth driven by rising public consumption and has made a significant contribution to national economic development, with positive prospects for future expansion (Pebrianti, 2024).

In the current era of globalization, business competition has intensified due to political, economic, social, and technological dynamics. In 2023, the Indonesian fast-food industry faced additional challenges related to consumer boycotts against products perceived as supporting Israel, following the prolonged conflict between Palestine and Israel. This boycott movement not only generated social and political consequences but also caused economic pressure on multinational corporations, including those operating in the fast-food sector. In an increasingly integrated capital market, negative consumer sentiment can directly influence stock price performance, particularly for companies associated with boycotted brands.

A boycott refers to collective actions involving the refusal to purchase or use specific goods or services as a form of protest against perceived injustice, including alleged human rights violations. This movement intensified after October 10, 2023, following accusations of genocide against Palestine (Cahyani et al., 2024). The term genocide is defined by the Indonesian Dictionary (KBBI) as systematic and deliberate acts aimed at destroying ethnic or national groups. The boycott movement gained extensive attention on digital platforms and expanded across countries, including Indonesia.

Several food and beverage companies experienced notable declines in stock prices as a consequence of consumer boycotts (Indonesia, 2024). Geopolitical-related consumer actions contributed to a significant correction in the share prices of food and beverage firms listed on the Indonesia Stock Exchange (IDX). Sharp declines in stock prices can disrupt company profitability and weaken investor confidence.

Empirical evidence shows fluctuations in the share prices of food and beverage companies, particularly during the period from early 2023 to early 2024, which is suspected to be influenced by boycott-related sentiment alongside internal financial conditions. Companies such as PT Sarimelati Kencana Tbk (PZZA), PT MAP Boga Adiperkasa Tbk (MAPB), and PT Fast Food Indonesia Tbk (FAST) experienced considerable stock price corrections during this period.

Table 1.
Decline in the Company's Share Price

Code	Managed Brands	Highest Price (Initial 2023)	Lowest Price (Initial 2024)	Decline	Percentage Decline
PZZA	Pizza Hut	IDR 520	IDR 366	IDR 154	29,6%
MAPB	Starbuck	IDR 2.800	IDR 1.640	IDR 1.160	41,4%
FAST	KFC	IDR 1.000	IDR 564	IDR 564	56,4%

Source: trading view (https://id.tradingview.com/)

Profitability is one of the key determinants of firm value, as it reflects the company's ability to generate earnings. Firms with strong profitability tend to attract greater investor interest due to expectations of higher returns, which in turn drives up share prices and firm value (Aziz & Widati, 2023). Previous studies have reported mixed findings regarding the relationship between profitability and firm value. Some studies find a positive and significant effect (Aziz & Widati, 2023; Sari et al., 2022; Kuddy, 2020; Atmikasari & Indiarti, 2020; Setyabudi, 2022; Vuković et al., 2024), while others report a positive but insignificant relationship (Kasih et al., 2022; Kaswari et al., 2023; Yuni, 2022; Akshaya & Sathyasonia, 2024).

Profitability is closely associated with dividend policy, as higher earnings enable companies to distribute dividends more consistently. Increasing profits allow firms to allocate greater portions of income to shareholders, which may enhance investor interest (Kaswari et al., 2023; Atmikasari et al., 2020). Several studies have examined dividend policy as a mediating variable between profitability and firm value, with inconsistent results. Some studies support its mediating role (Kaswari et al., 2023; Setyabudi, 2022), while others find no significant mediation effect (Atmikasari & Indiarti, 2020; Yuni, 2022; Sari et al., 2022; Kuddy, 2020).

Based on these inconsistencies and the current industry context, this study examines "The Effect of Profitability on Firm Value with Dividend Policy as a Mediating Variable in Food and Beverage Companies Listed on the Indonesia Stock Exchange."

Based on the research background, the research questions are formulated as follows: (1) How does profitability influence dividend policy in food and beverage companies listed on the IDX during 2020–2024?; (2) How does profitability affect firm value in food and beverage companies listed on the IDX during 2020–2024?; (3) How does dividend policy influence firm value in food and beverage companies listed on the IDX during 2020–2024?; (4) Does dividend policy mediate the relationship between profitability and firm value in food and beverage companies listed on the IDX during 2020–2024?

II. LITERATURE REVIEW

Profitability, which measures a company's operational ability to generate profits, is the main source of dividends. Signal theory and dividend policy are interrelated. When a company consistently or progressively increases its dividend payouts, it indicates that it is disciplined in managing its revenue and seeking to limit its reliance on external funding, which can lead to higher interest payments. The findings of the study from Kaswari et al. (2023) produced findings that profitability has a positive effect on dividend policy. This research is relevant to a study from Kuddy (2020) which produced the finding that profitability has a positive effect on dividend policy. Referring to the arguments presented, a research hypothesis can be proposed in the form of:

H_1: Profitability contributes well to the dividend policy in food and beverage sector companies listed on the IDX for the 2020-2024 period.

Strong profitability growth often indicates good company prospects in the future, which can inexorably increase the company's value (Kaswari et al., 2023).

High profits send positive signals to the market regarding the company's profitability in the future, which pushes its share price up and the company's value higher. A study from Chynthiawati and Jonnardi (2022) produced a finding that profitability affects Firm Value. The research is relevant to the study from Kalbuana et al. (2021) which produced the findings, the company's value is influenced by profitability. Referring to the arguments presented, a research hypothesis can be proposed in the form of:

H_2: Profitability contributes well to the company's value in food and beverage sector companies listed on the IDX for the 2020-2024 period

Dividend policy plays an essential role in balancing investors' expectations of dividend receipts with the company's need to maintain the pace of growth. The company's dividend policy regulates how much profit is distributed to the shareholder in the form of dividends or capital gains (Selvy and Esra, 2022). By guaranteeing investors the company's prosperity in the future, the dividend policy can increase the company's value. A study by Cindy and Ardini (2023) found that dividend policies can increase Firm Value. The findings produced are relevant to the findings from Ovami and Nasution (2020) which also produced the findings, the bus dividend policy secures the company's value. Referring to the arguments presented, a research hypothesis can be proposed in the form of:

H3: The dividend policy contributes positively to the company's value in food and beverage companies listed on the IDX for the period 2020-2024.

An important function of a dividend policy is to strike a balance between investors' demands for dividend payments and the needs of the business to continue to grow. High profitability can increase the company's free cash flow which can affect dividend policy, namely how much and consistently dividends are paid each given period (Yuni, 2022). Companies that earn high dividends, use dividends as a way to communicate and indicate, their financial performance is strong and sustainable. The Kaswari et al. study (2023) Generating findings, dividend policy functions as a mediator of the correlation between profitability and Firm Value. This finding is relevant to the study by Setyabudi (2022) which also produced the finding that dividend policy can function as an intermediary between the relationship between profitability and Firm Value. Referring to the arguments presented, a research hypothesis can be proposed in the form of:

H4: The dividend policy is able to mediate the contribution of profitability to the company's value in food and beverage sector companies listed on the IDX for the 2020-2024 period.

The conceptual framework of this study is presented in Figure 2.1.

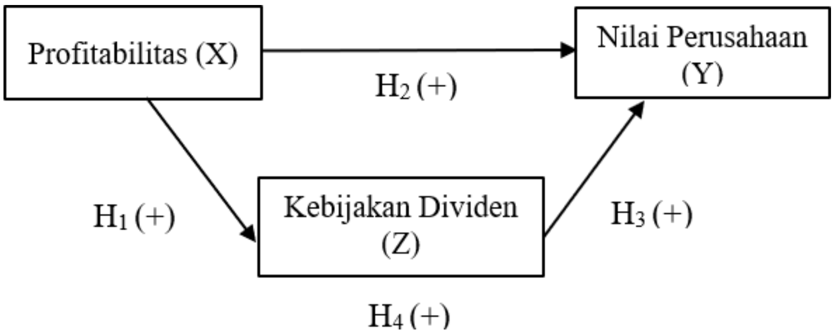

Figure 1.
Conceptual Framework

III. RESEARCH METHOD

This study, with a quantitative approach, analyzes food and beverage companies listed on IDX. The annual financial statements taken from the IDX (www.idx.co.id) website are the focus of the research examination. This study examines 95 company in food and beverage listed on IDX for 2020-2024.

Firm Value is an important indicator that shows the level of economic value of an entity in the eyes of investors, which is generally influenced by financial performance, growth prospects, and market views on future risks and profit potential (Adeliani and Roosdiana, 2022). In this study, the value of a company was measured using Price to Book Value (PBV). A higher PBV indicates greater investor confidence in the company's capacity to generate profits.

$$PBV = \frac{\text{Harga pasar per saham}}{\text{Nilai buku per saham}}$$

Profitability is the company's ability to get a net profit from all operational operations in an accounting period (Sari et al., 2022). In this study, profitability was measured using Return on Asset (ROA). ROA is a measure of profitability that shows the efficiency of a company in profiting from all its assets.

$$ROA = \frac{\text{Laba bersih}}{\text{Total aset}} \text{ x } 100\%$$

The dividend policy is a financial management decision to determine the share of profits that will later be distributed to shareholders (Yanti and Setiawati, 2022). In this study, dividend payouts were measured using the Dividend Payout Ratio (DPR), which shows the percentage of the company's net profit distributed in the form of dividends to shareholders.

$$DPR = \frac{\text{Dividends per share}}{\text{Earnings per share}} \text{ X } 100\%$$

IV. RESULT AND DISCUSSION

4.1 Descriptive Statistics Results

The descriptive statistics for the research variables are presented in Figure 1.

Table 2.
Descriptive Statistics

	N	Minimum	Maximum	Red	Std. Deviation
Profitability	95	0.96	33.19	8.903	5.887
Value Company	95	0.24	17.57	2.842	3.212
Policy Dividends	95	6.01	350.35	50.389	44.836

Source: data processed (2025)

The results of the descriptive statistical analysis, as presented in Table 4.1, provide an overview of the distributional characteristics of the research variables. The firm value variable (Y) shows a minimum value of 0.24 and a maximum value of 17.57, with a mean value of 2.842 and a standard deviation of 3.212. These results indicate that firm value varies considerably across the observed companies. The relatively low mean value compared with the maximum value suggests that most firms in the sample have not achieved a high level of market valuation. Furthermore, the standard deviation, which exceeds the mean, reflects a high degree of dispersion, indicating substantial heterogeneity in firm value among the sampled firms.

The profitability variable (X) has a minimum value of 0.96 and a maximum value of 33.19, with a mean value of 8.903 and a standard deviation of 5.887. This finding suggests that, on average, the sampled firms exhibit a relatively adequate level of profitability. However, the relatively high standard deviation indicates notable variation in profitability across firms. This condition implies that the ability of firms to generate profits is not evenly distributed, with some firms achieving substantially higher profitability while others remain at a lower level.

The dividend policy variable (Z) records a minimum value of 6.01 and a maximum value of 350.35, with a mean value of 50.389 and a standard deviation of 44.836. These findings demonstrate a considerable dispersion in dividend policy among the sampled firms. The wide range between the minimum and maximum values indicates substantial differences in dividend distribution decisions across companies. Accordingly, some firms allocate relatively high dividends to shareholders, whereas others maintain a comparatively lower level of dividend distribution.

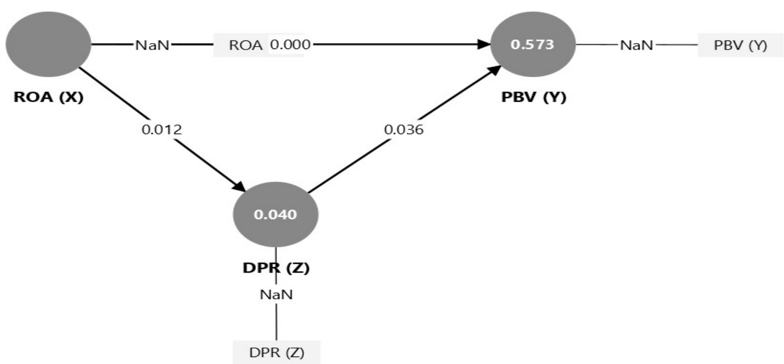

Figure 2.
Bootstrapping Results

Table 3.
Value Results R-Square

	R-Square	R-Square Adjusted
Dividend Policy	0.040	0.029
Company Values	0.573	0.564

Source: Data Processed (2025)

The R-Square Adjusted score of the dividend policy variable is 0.029, which indicates that the variability of the dividend policy construct reaches 29% so that the influence can be considered weak. The R-Square Adjusted score of the Firm Value variable is 0.564, which indicates that the variability of the Firm Value construct is 56.4% which can be concluded that the effect is moderate

Table 4.
VIF Value

	Dividend Policy	Company Values
Corporate Value		1.041
Dividend Policy		
Profitability	1.000	1.041

Source: Data Processed (2025)

The test results listed in Table 4. indicate that the VIF score on all variables is less than 5, meaning that it can be concluded that there is no significant multicollinearity between variables. (Hair) et al., 2022:117).

Table 5.
Q-Square Values

Variable	Q2 (Q Square)
Dividend Policy	0.030
Company Values	0.435

Source: Data Processed (2025)

Based on the results presented in Table 5, the Q-square values indicate the predictive relevance of the structural model. The Q-square value for dividend policy is 0.030, which is greater than zero. Referring to Hair et al. (2022), a Q-square value above zero indicates that the model has predictive relevance. Therefore, it can be concluded that the model is capable of predicting the dividend policy variable, although the predictive relevance is relatively weak. Furthermore, the Q-square value for firm value is 0.435, which also exceeds the threshold value of zero. This result indicates that the model has predictive relevance for the firm value variable. Based on Hair et al. (2022), the positive Q-square value suggests that the structural model is able to adequately predict the endogenous construct. Thus, the model used in this study demonstrates predictive relevance and is capable of capturing the relationships among the examined variables, particularly in explaining firm value.

Table 6.
F-Square Value Results

	Dividend Policy	Company Values
Dividend Policy		0.264
Company Values		
Profitability	0.041	0.836

Source: Data Processed (2025)

Referring to the test results presented in Table 6, the F-square values indicate the effect size of each exogenous variable on the endogenous variables in the structural model. The effect of dividend policy on firm value produces an F-square value of 0.264, indicating a moderate effect. This finding suggests that dividend policy has a meaningful contribution to explaining variations in firm value. Furthermore, the effect of profitability on dividend policy yields an F-square value of 0.041, which indicates a small effect. This result implies that profitability contributes to dividend policy, although the magnitude of its effect is relatively limited. Meanwhile, the effect of profitability on firm value produces an F-square value of 0.836, indicating a large effect. This finding demonstrates that profitability has a substantial contribution to explaining firm value. Therefore, among the examined relationships, profitability exerts the strongest effect on firm value in the structural model.

Table 7.
Model Fit Test Results

	Saturated model	Estimated model
SRMR	0.000	0.000

Source: Data Processed (2025)

The results of the Goodness Of Fit test of the model above indicate that the SRMR score in the saturated model is 0.000 and the estimated model also shows a value of 0.000, it can be stated that it meets the criteria and is perfect fit.

Table 8.
Hypotheses Based on Path Coefficients

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
DPR-> PBV	0.343	0.315	0.164	2.094	0.036
TWO -> DPR	0.199	0.212	0.080	2.504	0.012
ROA -> PBV	0.610	0.608	0.102	6.001	0.000

Source: Data Processed (2025

Referring to the results presented in Table 4.9, the t-statistics and p-values indicate the significance of the relationships among the variables in the structural model. First, the relationship between dividend policy and firm value shows a t-statistic value of 2.094, which exceeds the critical value of 1.65, and a p-value of 0.036, which is lower than the significance level of 0.05. These results indicate that dividend policy has a significant effect on firm value. This finding suggests that a higher dividend policy implemented by firms may enhance firm value, as dividend distribution can serve as a positive signal to investors regarding the firm's financial condition and future prospects.

Second, the relationship between profitability and dividend policy shows a t-statistic value of 2.504, which is greater than 1.65, and a p-value of 0.012, which is below 0.05. This result indicates that profitability has a significant effect on dividend policy. The finding implies that firms with higher profitability are more likely to distribute higher or more stable dividends, as greater earnings provide stronger financial capacity for dividend payments.

Third, the relationship between profitability and firm value shows a t-statistic value of 6.001, which exceeds the critical value of 1.65, and a p-value of 0.000, which is lower than 0.05. These results demonstrate that profitability has a significant effect on firm value. This finding indicates that firms with stronger profit-generating ability tend to achieve higher market valuation, as profitability reflects financial performance and increases investor confidence in the firm.

Table 10.
Indirect Effect

	Original sample (O)	*Sample mean (M)*	*Standard deviation (STDEV)*	*T statistics (|O/STDEV|)*	*P values*
ROA (X) -> DPR (Z) -> PBV (Y)	0.068	0.062	0.035	1.977	0.048

Source: Data Processed (2025)

Table 4.10 shows that dividend policy significantly mediates the relationship between profitability and firm value. The indirect effect has an original sample value of 0.068, a t-statistic of 1.977, and a p-value of 0.048, indicating a positive and significant mediating effect. This result suggests that higher profitability can enhance firm value indirectly through dividend policy. The mediation is classified as complementary partial mediation, meaning that dividend policy partially mediates the relationship, while profitability still has a direct effect on firm value.

4.2 Discussions

The Effect of Profitability on Dividend Policy

The empirical results reveal that profitability has a positive and significant effect on dividend policy, thereby supporting H1. This finding implies that firms with higher profitability tend to have a greater capacity to distribute dividends to shareholders. Profitability represents the firm's ability to generate earnings from its operational activities, and these earnings constitute the primary internal source for dividend payments. Therefore, when profitability increases, firms obtain greater financial flexibility to allocate part of their earnings to shareholders without substantially weakening their internal financing capacity. From a theoretical perspective, this finding is consistent with signaling theory, which suggests that dividend payments may convey positive information to the market regarding the firm's financial condition and future prospects. Highly profitable firms are more likely to distribute dividends as a signal of financial strength, earnings stability, and management confidence in future cash flows. In this context, dividend policy is not merely a distribution decision, but also a strategic communication mechanism between management and investors. The finding also supports the logic of agency theory. When firms generate higher profits, managers may have greater discretionary resources. Dividend payments can reduce potential agency conflicts by limiting excess free cash flow under managerial control and transferring returns directly to shareholders. Thus, higher profitability may encourage firms to adopt more consistent dividend policies as a mechanism to align managerial decisions with shareholder interests. Empirically, this result is in line with Kaswari et al. (2023) and Kuddy (2020), who found that profitability positively affects dividend policy. It also supports Sari et al. (2022), who argued that higher profitability provides a positive signal in determining dividend distribution. Overall, this finding indicates that profitability is an important determinant of dividend policy, as firms with stronger earnings performance tend to have a higher ability and willingness to distribute dividends.

The Effect of Profitability on Firm Value

The results indicate that profitability has a positive and significant effect on firm value, thus supporting H2. This finding suggests that firms with higher profitability are more highly valued by investors. Profitability reflects the effectiveness of management in utilizing firm resources to generate earnings. Higher profitability indicates stronger financial performance, better operational efficiency, and greater potential for future cash flow generation. As a result, investors tend to perceive profitable firms as having better growth prospects and lower investment risk. This finding can be explained through signaling theory. Profitability serves as a positive signal to the market because it reflects the firm's ability to sustain operations, generate returns, and create shareholder wealth. When firms report higher profitability, investors may interpret this condition as evidence of strong managerial capability and favorable future prospects. This positive perception can increase investor demand for the firm's shares, which subsequently enhances firm value. In addition, the result is consistent with the resource-based view, which emphasizes that firm performance and value are shaped by the effective utilization of valuable, rare, and difficult-to-imitate resources. Profitability reflects the firm's success in converting its resources and capabilities into financial outcomes. Therefore, firms with higher profitability are more likely to obtain stronger market appreciation because they demonstrate superior resource management and competitive advantage. The finding is consistent with Chynthiawati and Jonnardi (2022) and Kalbuana et al. (2021), who found that profitability has a positive effect on firm value. Kuddy (2020) also supports this argument by showing that profitability functions as a favorable signal for investors. Thus, the positive relationship between profitability and firm value confirms that investors place substantial importance on earnings performance when evaluating corporate prospects and investment attractiveness.

The Effect of Dividend Policy on Firm Value

The analysis shows that dividend policy has a positive and significant effect on firm value, thereby supporting H3. This finding indicates that firms with stronger

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dividend policies tend to achieve higher market valuation. Dividend payments may increase firm value because they provide direct economic benefits to shareholders and signal that the firm has sufficient financial capacity to distribute earnings. For investors, a stable or increasing dividend policy may represent financial stability, managerial confidence, and lower uncertainty regarding future performance. From the perspective of signaling theory, dividend policy plays an important role in reducing information asymmetry between management and investors. Since managers generally possess more internal information about the firm's future prospects, dividend payments can serve as a credible signal of firm quality. A firm that consistently distributes dividends may be perceived as financially healthy and capable of maintaining sustainable earnings. Consequently, investors may respond positively to dividend policy, leading to an increase in firm value. This finding is also relevant to agency theory. Dividend payments can reduce free cash flow available to managers, thereby limiting the possibility of inefficient investment decisions or managerial opportunism. By distributing dividends, firms demonstrate commitment to shareholder welfare and strengthen investor trust. Therefore, dividend policy may enhance firm value not only through financial returns but also through improved governance perception. The result is consistent with Cindy and Ardini (2023) and Ovami and Nasution (2020), who found that dividend policy positively and significantly affects firm value. Stable and relatively high dividend payments may reflect sound financial conditions, increase investor interest, strengthen stock prices, and ultimately enhance firm value. This finding is also supported by Selvy and Esra (2022), who stated that higher dividend distribution can act as a positive market signal. Accordingly, dividend policy can be viewed as an important financial decision that contributes to value creation.

The Effect of Profitability on Firm Value through Dividend Policy

The mediation test shows that dividend policy significantly mediates the relationship between profitability and firm value, thereby supporting H4. This finding indicates that profitability enhances firm value not only directly but also indirectly through dividend policy. In other words, profitable firms are more likely to distribute dividends, and such dividend distribution subsequently increases firm value by strengthening investor confidence and market perception. Theoretically, this finding provides support for the integration of signaling theory and dividend policy theory. Profitability reflects internal financial strength, while dividend policy functions as an external signal that communicates such strength to investors. Although profitability itself can increase firm value, the effect becomes more meaningful when firms translate their earnings performance into dividend payments. This indicates that investors do not only evaluate the level of profitability but also consider how management allocates profits to shareholders. The mediation effect also suggests that dividend policy acts as a transmission mechanism through which profitability is converted into market value. Firms with high profitability may not automatically achieve higher firm value if the market does not perceive the earnings as sustainable or beneficial to shareholders. However, when profitability is followed by dividend distribution, investors may interpret the firm's earnings as more credible, stable, and shareholder-oriented. Therefore, dividend policy strengthens the positive effect of profitability on firm value. Furthermore, the finding indicates complementary partial mediation. This means that profitability continues to have a direct effect on firm value, while dividend policy partially explains the mechanism underlying this relationship. The direct effect suggests that investors value profitability as an indicator of financial performance and future prospects. Meanwhile, the indirect effect through dividend policy suggests that dividend distribution enhances the credibility of profitability as a signal of firm strength. This result is consistent with Kaswari et al. (2023), who found that dividend policy mediates the relationship between profitability and firm value. The finding reinforces the argument that dividend policy is not merely a consequence of profitability but also an important strategic mechanism in enhancing firm value. Therefore, firms should not only focus on increasing profitability but also formulate dividend policies that are consistent, credible, and aligned with shareholder expectations.

V. CONCLUSION AND RECOMMENDATION

This study concludes that profitability plays a critical role in enhancing both dividend policy and firm value. The findings demonstrate that firms with higher profitability are more capable of distributing dividends and are more favorably valued by investors. Dividend policy is also proven to have a significant effect on firm value, indicating that dividend distribution serves not only as a return mechanism for shareholders but also as a positive signal of financial stability and managerial confidence. Furthermore, dividend policy partially mediates the relationship between profitability and firm value, suggesting that profitability increases firm value both directly and indirectly through dividend distribution. These results confirm the relevance of signaling theory and agency theory in explaining how financial performance and dividend decisions contribute to corporate value creation.

Based on these findings, firms are encouraged to strengthen profitability through improved operational efficiency, cost control, and sustainable revenue growth, as profitability remains the main driver of firm value. Management should also formulate a consistent and credible dividend policy that reflects the firm's financial capacity while maintaining sufficient internal funds for future investment. For investors, profitability and dividend policy should be considered key indicators in assessing firm prospects and investment attractiveness. Future studies are recommended to extend the model by including additional financial and non-financial variables, such as capital structure, corporate governance, firm size, liquidity, and sustainability performance, to provide a more comprehensive understanding of the determinants of firm value.

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