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THE EFFECT OF PROFITABILITY AND LIQUIDITY ON FIRM VALUE WITH DIVIDEND POLICY AS AN INTERVENING VARIABLE (EMPIRICAL STUDY ON NON-CYCLICAL CONSUMER SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE PERIOD 2018-2023)

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Abstract:
This study aims to determine the effect of Profitability and Liquidity on Firm Value with Dividend Policy as an Intervening Variable in Consumer Non-Cyclicals Sector Companies listed on the Indonesia Stock Exchange for the 2018-2023 period. The sampling technique employed a purposive sampling method, aiming to obtain sample data by the study's criteria, and resulted in the selection of 24 companies from a population of 70 companies. The data analysis techniques employed in this study include descriptive statistics, classical assumption tests, and Sobel tests, utilizing SPSS 25 software. The results of this study indicate that: (1) Profitability has a positive significant effect on Firm Value, (2) Liquidity has a negative significant on Firm Value, (3) Dividend Policy has a positive significant effect on Firm Value, (4) Profitability has a positive significant effect on Dividend Policy, (5) Liquidity does not affect on Dividend Policy, (6) Dividend Policy can mediate the effect of Profitability on Firm Value, (7) Dividend Policy is unable to mediate the effect of Liquidity on Firm Value.

Keywords: Profitability, Liquidity, Firm Value, Dividend Policy.

INTRODUCTION

The global economy continues to grow rapidly, as evidenced by the numerous companies striving to survive and thrive amidst increasingly fierce competition. Fierce competition in the business world drives corporate management to demonstrate the best value of the companies they lead. For investors, investment decisions are based not only on overall economic conditions but also on the company's performance and prospects. Investors tend to seek out companies with strong growth potential, the ability to manage risk, and the ability to deliver optimal returns in the future.

One of the most important factors, often a primary consideration for investors when assessing a company, is its corporate value. Corporate value indicates a company's performance, which can be measured through its stock price. This stock price is heavily influenced by supply and demand, which in turn reflects public and investor perceptions of the company's prospects and financial health. The higher the corporate value, the greater the potential profit for shareholders. In other words, when the stock price increases, the corporate value also increases, ultimately providing significant financial benefits for investors (Gz and Lisiantara, 2022).

Several factors can influence firm value, which can increase or decrease share prices, including profitability, liquidity, company size, dividend policy, and capital structure (Chasanah, 2018). In this study, profitability and liquidity were selected as factors influencing firm value because these two ratios reflect two important aspects of a company's financial performance (Zoraya et al., 2023). Profitability indicates how well a company generates profits from its operational activities. It

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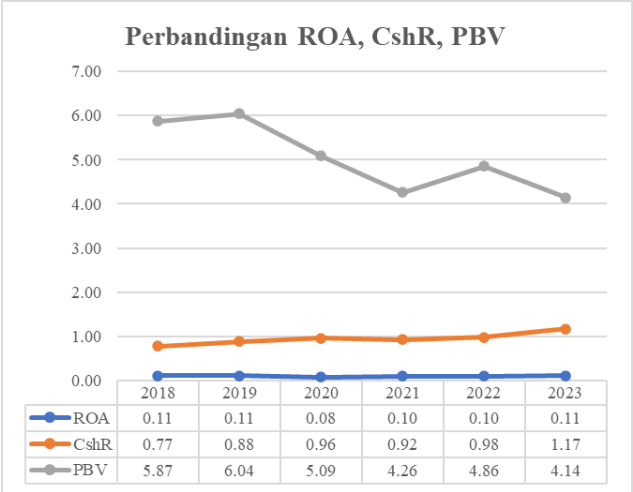
indicates the company's ability to manage its resources effectively. Profitability also reflects a company's potential for future growth and development, as profits can be used for reinvestment and strengthening its financial position (Gz and Lisiantara, 2022).

Meanwhile, liquidity provides an overview of a company's ability to meet its short-term obligations using readily liquid assets. Good liquidity provides the financial flexibility to address urgent cash needs, such as debt payments or unexpected expenses, without having to seek external financing, which can increase risk. Conversely, low liquidity may present difficulties in managing short-term liabilities, which can undermine investor confidence and impact stock prices (Imronudin et al., 2022). The combination of the two can increase investor confidence, which in turn can impact stock prices and market assessments of firm value.

The Consumer Non-Cyclicals sector is considered stable because it provides necessities, making its demand relatively unaffected by economic cycles. However, since the COVID-19 pandemic began in 2020, this sector has continued to experience significant impacts, both in terms of operations, liquidity, and market perception. The figure below shows the average Return on Assets (ROA), Cash Ratio (CshR), and Price to Book Value (PBV) for the period 2018-2023.



	2018	2019	2020	2021	2022	2023
ROA	0.11	0.11	0.08	0.10	0.10	0.11
CshR	0.77	0.88	0.96	0.92	0.98	1.17
PBV	5.87	6.04	5.09	4.26	4.86	4.14

Figure 1. Comparison ROA, CshR, and PBV

The image above shows that the ROA of companies in the Consumer Non-Cyclicals sector declined in 2020, from 0.11 to 0.08, likely due to the pandemic. However, ROA has since increased steadily, returning to 0.11 in 2023, indicating a recovery in profitability. Meanwhile, the Cash Ratio has consistently increased annually, from 0.77 in 2018 to 1.17 in 2023. It suggests that the company is strengthening its cash reserves, likely as a precautionary measure following the pandemic. However, its PBV has actually decreased from 5.87 in 2018 to 4.14 in 2023. This decline in PBV indicates that, despite improving profitability and liquidity, market perception of the company's value is weakening.

Profitability is a key consideration for investors before deciding to invest in a company. Companies that are able to maintain and increase profitability will be attractive to investors. When a company is stable and consistently profitable, it indicates excellent performance in the eyes of investors (Keni and Pangkey, 2022). Companies with high profitability can signal to investors and potential investors that the company has the potential to generate better profits in the future (Januarsi and Sanusi, 2024). Increasing profitability is a positive signal that can attract investor

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interest (Purbasari, 2024). Liquidity is one indicator of a company's strength. Companies with good liquidity demonstrate their financial health, and that company management is able to run operations effectively and efficiently (Farizki et al., 2021). The greater the current assets, the higher the company's liquidity, which indicates the company's ability to run its operations without experiencing difficulty paying short-term debt (Sartono, 2018).

Previous research has identified a research gap regarding the influence of profitability on firm value. Studies by Arsyada, A. B. et al. (2022), Abdillah and Ali (2024), and Yanti and Setiawati (2022) found that profitability significantly impacts firm value. However, studies by Farizki et al. (2021), Fitriana and Purwohandoko (2022), and Marhaenis and Wany (2021) indicate that profitability does not affect firm value.

Previous research has revealed a research gap regarding the effect of liquidity on firm value. Studies by Abdillah and Ali (2024), Mahardikari (2021), and Zoraya et al. (2023) found that liquidity significantly impacts firm value. However, studies by Idris (2021), Chasanah (2018), and Marhaenis and Wany (2021) indicate that liquidity does not affect firm value.

Based on the results of previous research presented by the researcher, the influence of Profitability and Liquidity on Firm Value yielded varying results. To address this gap in previous research, the researcher conducted a similar study but added Dividend Policy as an intervening variable. Dividend Policy was chosen as a mediating variable because it serves to bridge the influence of Profitability and Liquidity on Firm Value. When a company has high Profitability and good Liquidity, the company tends to distribute larger dividends as part of its earnings management policy. In this study, Dividend Policy is measured using the DPR (Dividend Payout Ratio), a ratio that reflects management's decision to distribute profits to shareholders or retain them as retained earnings (Sanusi et al., 2022).

Therefore, the researcher will analyze "The Effect of Profitability and Liquidity on firm value with Dividend Policy as an Intervening Variable (Empirical Study on Consumer Non-Cyclical Sector Companies Listed on the Indonesia Stock Exchange for the 2018-2023 Period)".

Signaling Theory. Signaling theory was first introduced by Michael Spence in 1973. This theory explains how companies use certain information to reduce market uncertainty, particularly regarding the company's internal quality or condition. In this case, companies need to send signals in the form of relevant information to assist external parties in making better decisions. This signal is important because investors or external parties who receive this information will adjust their expectations, which ultimately influences investment decisions.

Firm Value. Firm value reflects a company's overall performance and condition, which can be seen in its share price. According to Gz and Lisiantara (2022), firm value indicates how well a company is performing and can be seen in its share price. Share prices are influenced by market supply and demand, reflecting how the public views the company. The higher the firm value, the greater the shareholders' welfare. In other words, when the share price rises, the firm value also increases, which ultimately benefits shareholders.

Profitability. Profitability is a company's ability to generate profits from its various resources. According to Abdillah and Ali (2024), the profitability ratio is a tool used to assess a company's financial performance in generating profits. Investors can use this ratio as an important guide in making investment decisions while considering potential future risks.

Liquidity. Liquidity is a company's ability to meet short-term obligations. According to Gz and Lisiantara (2022), liquidity reflects a company's ability to meet its short-term obligations as they

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fall due. It indicates whether the company has sufficient funds or assets ready to meet its short-term obligations without any constraints.

Dividend Policy. Dividend policy is a company's strategic decision regarding the use of profits, whether to distribute them as dividends to shareholders or retain them as retained earnings. According to Yanti and Setiawati (2022), dividend policy is a company's decision regarding how profits will be used. These profits can be distributed to shareholders in the form of dividends or retained as retained earnings to support future investment financing needs. Retained earnings are an important source for funding the company's growth and development, enabling it to continue growing in the future.

Hypothesis Development. Company profitability is important information for investors. This information provides an overview of the company's financial condition and prospects. When company profits increase, this will increase investor confidence in the company's performance. Therefore, profitability is a key indicator influencing investment decisions and perceptions of firm value in the market (Agus Ismaya et al., 2022). In line with signaling theory, companies with high profitability send a positive signal to investors that the company can generate profits in the future. It is reflected in the use of the ROA (Return on Assets) proxy, which measures the extent to which a company generates profit from its total assets. The higher the ROA, the more efficiently the company utilizes its assets to generate profits. An increase in ROA will strengthen the market's perception of the company's performance and prospects, which ultimately can increase firm value.

Research conducted by Idris (2021), Chasanah (2018), Nur Hasanah & Widyawati (2019), Keni & Pangkey (2022), and Abdillah & Ali (2024) demonstrated that profitability has a significant positive effect on firm value. Based on the above description, the following hypothesis can be proposed:

H1: Profitability has a significant positive effect on firm value.

Liquidity is a company's ability to meet short-term obligations that will mature within one year. This liquidity is measured using a ratio that indicates the likelihood of a company being able to pay its obligations on time. In financial analysis, liquidity is a crucial aspect that helps investors, creditors, and company management assess the company's financial health and ability to meet its obligations (Abdillah and Ali, 2024). A high level of liquidity provides a positive signal to investors about the company's financial health. It is reflected in the use of the CshR (Cash Ratio) proxy, which measures a company's liquidity by comparing cash and cash equivalents to current liabilities. A high CshR indicates that the company has sufficient cash and cash equivalents to immediately pay off short-term obligations without relying on other assets. Increased investor confidence due to good liquidity can drive stock demand, thereby increasing the company's value.

Research conducted by Gz & Lisiantara (2022), Abdillah & Ali (2024), Mahardikari (2021), Farizki et al. (2021), and Zoraya et al. (2023) demonstrated that liquidity has a significant positive effect on firm value. Based on the above description, the following hypothesis can be proposed:

H2: Liquidity has a significant positive effect on firm value.

Dividend policy is a policy that considers whether a company's profits earned during a certain period will be distributed directly to investors as a form of reward or reallocated for investment in company development. This way, the company can provide direct benefits to investors while strengthening its position in the future (Agustin and Anwar, 2022). A company's decision to distribute high dividends can send a positive signal to investors about financial stability and the potential for sustainable profits. This is reflected in the use of the DPR (Dividend Payout Ratio) proxy, the ratio between distributed dividends and the company's net profit. A high DPR can

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increase a company's attractiveness to investors seeking immediate returns, thereby contributing to increased firm value.

Research conducted by Gz & Lisiantara (2022), Nur Hasanah & Widyawati (2019), Ovami & Nasution (2020), Wicaksono & Mispiyanti (2020), and Maryanti et al. (2023) demonstrated that dividend policy has a significant positive effect on firm value. Based on the above description, the following hypothesis can be proposed:

H3: Dividend policy has a significant positive effect on firm value.

Profitability is used to assess a company's profitability. It includes comparing the company's profits from the previous year to the current year, while also reflecting the effectiveness and efficiency of company management. Profitability allows us to see how a company utilizes its capital to generate profits (Eliza et al., 2024) optimally. Companies with good profitability tend to increase dividends as a positive signal to shareholders. It is reflected in the use of the ROA (Return on Assets) proxy, which is calculated by dividing net profit by total assets. The higher the ROA, the more likely a company is to pay dividends, as it is considered capable of generating stable profits.

Research conducted by Maryanti et al. (2023), Thunggalia et al. (2018), Januarsi & Sanusi (2024), Ainiyah & Maharani (2023), and Sabarudin et al. (2021) demonstrated that profitability has a significant positive effect on dividend policy. Based on the above description, the following hypothesis can be proposed:

H4: Profitability has a significant positive effect on dividend policy.

Liquidity is used to assess a company's ability to raise funds and meet its financial obligations (debt) when needed. This ratio provides various benefits for stakeholders, both inside and outside the company. It is not only useful for the company to manage its cash and financial stability, but also for external parties, such as investors (Abdillah and Ali, 2024). High liquidity provides a positive signal that the company can meet short-term obligations and is still able to distribute dividends. It is reflected in the use of the CshR (Cash Ratio) proxy, which is calculated by dividing cash and cash equivalents by current liabilities. The higher the CshR, the greater the certainty that the company can pay off short-term obligations only with available cash, without relying on other assets. This condition indicates low liquidity risk and good financial management, thereby increasing investor confidence and opening up opportunities for the company to continue distributing dividends to shareholders.

Research conducted by Anggraini (2022), Thunggalia et al. (2018), Nurwulandari et al. (2022), Gunawan & Tobing (2018), and Agustin & Anwar (2022) demonstrated that liquidity has a significant positive effect on dividend policy. Based on the above description, the following hypothesis can be proposed:

H5: Liquidity has a significant positive effect on dividend policy.

Profitability is a company's ability to generate profits within a specific period, whether from sales or investments. Profitability is an important benchmark for assessing a company's financial condition and how well it is managed. It also indicates how efficiently a company utilizes its resources to generate profits. Higher profitability indicates a better company's resource management, reflecting sound financials and strong growth potential (Abdillah and Ali, 2024). When a company's profitability increases, it is measured by ROA (Return on Assets), which indicates the extent to which a company generates profit from its assets. The higher the ROA, the greater the company's potential for profit. The resulting profits can then be distributed as dividends to shareholders. This dividend policy influences investor perceptions of the company, with companies with a stable and strong dividend policy often perceived as more valuable. In other words, high

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profitability can encourage companies to pay larger dividends, which in turn can increase firm value.

Research conducted by Maryanti et al. (2023), Pertiwi & Dewati (2022), Eliza et al. (2024), and Agung et al. (2020) demonstrated that dividend policy mediates the effect of profitability on firm value. Based on the above description, the following hypothesis can be proposed:
H6: Dividend policy mediates the effect of profitability on firm value.

Liquidity is a crucial factor because it serves as a method that assists management in making decisions to improve the company's financial performance, for example, through short-term capital loans with certain risks (Eliza et al., 2024). When a company's liquidity is high, as measured by the Cash Ratio (CshR), this ratio indicates the company's ability to meet short-term obligations with its cash. The higher the CshR, the better the company's ability to maintain cash flow and financial stability. With sufficient liquidity, the company can distribute dividends to shareholders. This dividend policy strengthens investor perceptions of the company and drives demand for shares, which in turn can increase the company's value.

Research conducted by Ainiyah & Maharani (2023) and Eliza et al. (2024) demonstrated that dividend policy can mediate the effect of liquidity on firm value. Based on the above description, the following hypothesis can be proposed:
H7: Dividend policy can mediate the effect of liquidity on firm value.

METHODS

In this study, the researcher used a quantitative approach with a causal associative research type, which aims to examine the effect of Profitability and Liquidity on firm value with Dividend Policy as an Intervening Variable. The research object is the Consumer Non-Cyclicals sector companies listed on the Indonesia Stock Exchange during the period 2018-2023. The population in this study amounted to 70 companies, and the sample determination was carried out using the purposive sampling method, namely, a sample selection technique based on certain criteria determined by the researcher. Based on these criteria, 24 companies were selected as samples. The data used is secondary data obtained indirectly through annual financial reports published on the official website of the Indonesia Stock Exchange and the websites of related companies. In analyzing the relationship between variables, IBM SPSS 25 software was used with descriptive statistical analysis methods, classical assumption tests, hypothesis tests, and Sobel tests.

RESULT AND DISCUSSION

Results of Descriptive Statistical Analysis. Descriptive statistics aims to provide an overview of data based on maximum, minimum, average (mean), and standard deviation values. In this study, the described data consists of the dependent variable, Firm Value (Y), measured by price-to-book value (PBV); the independent variables, Profitability (X1), measured by return on assets (ROA); and Liquidity (X2), measured by the cash ratio (CshR); and the mediating variable, Dividend Policy (Z), measured by the dividend payout ratio (DPR). The following are the results of the descriptive statistical analysis using IBM SPSS version 25.

Table 1. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	144	.002	.447	.10069	.087221

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Liquidity	144	.006	7.992	.94749	1.328837
firm values	144	.295	60.672	5.04501	9.971076
Dividend Policy	144	.067	3.493	.51751	.407230
Valid N (listwise)	144				

Based on the table above, the number of observation data for each variable is 144 (N). This data was obtained from 24 companies in the Consumer Non-Cyclicals sector over a six-year observation period. The following is an explanation of the descriptive statistical analysis for each variable.

Profitability (ROA). The lowest (minimum) profitability value, as measured by Return on Assets (ROA), was 0.002, achieved by Millennium Pharmacon International Tbk. (SDPC) In 2020. It indicates that SDPC has not optimally utilized its assets, resulting in a decrease in revenue compared to the previous year.

The highest (maximum) Profitability value was 0.447, which Unilever Indonesia Tbk owned. (UNVR) In 2018. This value reflects that every Rp 1 of assets owned by the company was able to generate a net profit of Rp 0.447. It indicates that the company is optimal in utilizing its assets, thus generating maximum profits and experiencing an increase from the previous year.

The mean value of profitability is 0.10069, which is greater than the standard deviation of 0.087221. It indicates that the profitability variable has small deviations and stable data distribution.

Liquidity (CshR). The lowest (minimum) Liquidity value, as measured by the Cash Ratio (CshR), was 0.006, held by Wilmar Cahaya Indonesia Tbk. (CEKA) In 2018. It indicates that CEKA's ability to meet its short-term obligations is relatively low, as the company's cash holdings are not yet sufficient to cover its current liabilities fully.

The highest (maximum) Liquidity value was 7,992, held by PP London Sumatra Indonesia Tbk. (LSIP) In 2023. It was due to the company's increased cash holdings compared to the previous year. Companies with high Liquidity are able to meet their short-term obligations.

The mean value of Liquidity is 0.94749, which is smaller than its standard deviation of 1.328837. It indicates that the Liquidity variable has a large deviation and unstable or fluctuating data distribution.

Firm Value (PBV). The lowest (minimum) Firm Value, proxied by Price to Book Value (PBV), was 0.295, held by Wismilak Inti Makmur Tbk. (WIIM) In 2018. A low PBV indicates that a company's stock price is valued below its book value. It indicates that the company's performance is declining, and there is little hope for its future performance prospects.

The highest (maximum) firm value (PBV) was 60,672, held by Unilever Indonesia Tbk. (UNVR) In 2019. A high PBV indicates that a company's stock price is valued higher than its book value. It indicates that investors have high confidence and expectations in the company's future performance.

The average (mean) value of firm value is 5.04501, which is smaller than the standard deviation value of 9.971076. It indicates that the firm value variable has a large deviation and unstable or fluctuating data distribution.

Dividend Policy (DPR). The lowest (minimum) Dividend Policy value, as proxied by the Dividend Payout Ratio (DPR), was 0.067, held by Sekar Laut Tbk. (SKLT) In 2023. A low DPR indicates that the company prefers to allocate a larger portion of its net profit for investment or company development rather than distributing dividends to shareholders.

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The highest (maximum) value of Dividend Policy is 3,493 owned by the company Multi Bintang Indonesia Tbk. (MLBI) In 2020. A high DPR indicates that the company is in a stable condition, which is a positive signal for investors who expect consistent dividend returns.

The average (mean) value of Dividend Policy is 0.51751, which is greater than the standard deviation value, which is 0.407230. It shows that the Dividend Policy variable has a small deviation and stable data distribution.

Classical Assumption Test Results, Normality Test. The normality test aims to determine whether the regression model is normally distributed. Normality testing is performed using the One-Sample Kolmogorov-Smirnov (K-S) test. If the K-S value is above 0.05, the residual data are normally distributed.

Table 2. Normality Test Before Transformation

One-Sample Kolmogorov-Smirnov Test			
		Unstandardized Residual	**Unstandardized Residual**
N		144	144
Normal Parameters[a,b]	Mean	.0000000	.0000000
	Std. Deviation	.37439102	5.85141069
Most Extreme Differences	Absolute	.201	.141
	Positive	.201	.141
	Negative	-.133	-.075
Test Statistic		.201	.141
Asymp. Sig. (2-tailed)		.000[c]	.000[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Based on the table above, the results of the normality test using the Kolmogorov-Smirnov (K-S) test on substructural 1 have a value of 0.000 and substructural 2 has a value of 0.000. The results of the analysis can be concluded that the two models are not normally distributed because the Asymp. Sig. (2-tailed) value is 0.000 < 0.05 and 0.000 < 0.05. Therefore, to ensure that the data is normally distributed, healing actions can be carried out using data transformation using the Natural Logarithm or Ln method. So that the normality test output results are obtained as follows.

Table 3. Normality Test After Transformation

One-Sample Kolmogorov-Smirnov Test			
		Unstandardized Residual	**Unstandardized Residual**
N		144	144
Normal Parameters[a,b]	Mean	.0000000	.0000000
	Std. Deviation	.56057811	.77169433
Most Extreme Differences	Absolute	.067	.068
	Positive	.067	.062
	Negative	-.067	-.068
Test Statistic		.067	.068

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Asymp. Sig. (2-tailed)	.200[c,d]	.096[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the table above, the results of the normality test after using data transformation into Natural Logarithm or Ln on the variables of Profitability, firm value, and Dividend Policy show the Asymp. Sig. (2-tailed) value of substructural 1 of 0.200, which means it is greater than 0.05 (0.200 > 0.05) and substructural 2 of 0.096, which means it is greater than 0.05 (0.096 > 0.05). Therefore, it can be concluded that the data is normally distributed.

Multicollinearity Test. The multicollinearity test aims to determine whether a regression model detects correlation between independent variables. The criteria for a regression model to be free of multicollinearity are a Tolerance value ≥ 0.10 and a VIF (Variance Inflation Factor) value ≤ 10. The following are the results of the multicollinearity test.

Substructural 1.

Table 4. Multicollinearity Test

Coefficients[a]			
Model		**Collinearity Statistics**	
		Tolerance	**VIF**
1	LN_ROA	.954	1.048
	Liquidity	.954	1.048

a. Dependent Variable: LN_DPR

Based on the table above, it can be seen that LN_ROA has a tolerance value of 0.954 ≥ 0.10 and a VIF value of 1.048 ≤ 10; CshR has a tolerance value of 0.954 ≥ 0.10 and a VIF value of 1.048 ≤ 10. It indicates that the independent variables in the substructural regression model 1 are free from multicollinearity.

Substructural 2.

Table 5. Multicollinearity Test

Coefficients[a]			
Model		**Collinearity Statistics**	
		Tolerance	**VIF**
1	LN_ROA	.756	1.323
	Liquidity	.947	1.056
	LN_DPR	.768	1.303

a. Dependent Variable: LN_PBV

Based on the table above, it can be seen that LN_ROA has a tolerance value of 0.756 ≥ 0.10 and a VIF value of 1.323 ≤ 10; CshR has a tolerance value of 0.947 ≥ 0.10 and a VIF value of 1.056 ≤ 10; LN_DPR has a tolerance value of 0.768 ≥ 0.10 and a VIF value of 1.303 ≤ 10. It shows that the independent variables in the substructural regression model 2 are free from multicollinearity symptoms.

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Heteroscedasticity Test. The heteroscedasticity test aims to determine whether there is unequal variance in the residuals from one observation to another in the regression model. A good regression model does not exhibit heteroscedasticity. If the significance probability is >0.05, the regression model is free from heteroscedasticity. The following are the results of the heteroscedasticity test using the Glejser Test.

Substructural 1.

Table 6. Heteroscedasticity Test (Glejser Test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.501	.107		4.673	.000
	LN_ROA	.040	.036	.094	1.099	.274
	Liquidity	.024	.024	.085	.998	.320

a. Dependent Variable: ABS1

The table above shows the results of the heteroscedasticity test using the Glejser Test on the Profitability (ROA) and Liquidity (CshR) variables, with a significance value >0.05. Therefore, substructural model 1 is free from heteroscedasticity.

Substructural 2.

Table 7. Heteroscedasticity Test (Glejser Test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.678	.116		5.830	.000
	LN_ROA	.004	.044	.009	.092	.926
	Liquidity	-.083	.026	-.263	-3.176	.002
	LN_DPR	-.067	.060	-.103	-1.114	.267

a. Dependent Variable: ABS2

The table above shows the results of the heteroscedasticity test using the Glejser test on the Profitability (ROA) and Dividend Policy (DPR) variables, which have a significance value > 0.05, indicating no heteroscedasticity symptoms. However, the Liquidity (CshR) variable shows a significance value of 0.002 < 0.05, indicating heteroscedasticity symptoms.

To address the presence of heteroscedasticity symptoms, the Spearman Rho test will be conducted. If the significance value (Sig. 2-tailed) < 0.05, then there are symptoms of heteroscedasticity. Conversely, if the significance value (Sig. 2-tailed) > 0.05, then the regression model is free from symptoms of heteroscedasticity.

The following are the output results of the substructural heteroscedasticity test 2 after using Spearman Rho.

Table 8. Heteroscedasticity Test (Spearman Rho Test)

Correlations

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			LN_ROA	Likuiditas	LN_DPR	Unstandardized Residual
Spearman's rho	LN_ROA	Correlation Coefficient	1.000	.345**	.491**	.017
		Sig. (2-tailed)	.	.000	.000	.837
		N	144	144	144	144
	Liquidity	Correlation Coefficient	.345**	1.000	.214**	-.140
		Sig. (2-tailed)	.000	.	.010	.094
		N	144	144	144	144
	LN_DPR	Correlation Coefficient	.491**	.214**	1.000	.002
		Sig. (2-tailed)	.000	.010	.	.982
		N	144	144	144	144
	Unstandardized Residual	Correlation Coefficient	.017	-.140	.002	1.000
		Sig. (2-tailed)	.837	.094	.982	.
		N	144	144	144	144

**. Correlation is significant at the 0.01 level (2-tailed).

In this test, symptoms of heteroscedasticity will be indicated by the significance value of the correlation results for Profitability (LN_ROA) of 0.837, Liquidity (Cash Ratio) of 0.094, and Dividend Policy (LN_DPR) of 0.982. Based on Table 4.8 above, it is obtained that substructural 2 does not experience symptoms of heteroscedasticity because the significance value is > 0.05.

Hypothesis Testing. The basis for the t-test decision can be seen from the significance value. Suppose the sig value of a variable is <0.05 and the calculated t value is >t table (at a significance level of 0.05). In that case, there is a significant effect between the independent variable and the dependent variable. The following are the results of the hypothesis test in this study.

Substructural 1.

Table 9. Hypothesis Testing

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.023	.163		-.142	.887
	LN_ROA	.336	.055	.459	6.081	.000
	Liquidity	.038	.036	.078	1.033	.303

a. Dependent Variable: LN_DPR

Substructural 2.

Table 10. Hypothesis Testing

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.506	.226		15.543	.000
	LN_ROA	.827	.086	.636	9.654	.000
	Liquidity	-.246	.050	-.287	-4.883	.000
	LN_DPR	.339	.116	.190	2.914	.004

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a. Dependent Variable: LN_PBV

Testing the Effect of Profitability on Firm Value. Based on the t-test in substructural table 2, Profitability (X1), proxied by LN_ROA, has a significance value of 0.000 < 0.05 and a calculated t-value > t-table (9.654 > 1.655). The LN_ROA coefficient indicates a positive relationship. It indicates that Profitability has a partial positive and significant effect on Firm Value. Therefore, H1, which states that Profitability has a positive and significant effect on Firm Value, is accepted.

Testing the Effect of Liquidity on Firm Value. Based on the t-test in substructural table 2, Liquidity (X2), proxied by CshR, has a significance value of 0.000 < 0.05 and a calculated t-value < t-table (-4.883 < 1.655). The CshR coefficient indicates a negative relationship. It indicates that Liquidity has a partial negative and significant effect on Firm Value. Therefore, H2, which states that Liquidity has a positive and significant effect on Firm Value, is rejected.

Testing the Effect of Dividend Policy on Firm Value. Based on the t-test in substructural table 2, it shows that Dividend Policy (Z), proxied by LN_DPR, has a significance value of 0.004 < 0.05 and a calculated t-value > t-table (2.914 > 1.655). The LN_DPR coefficient indicates a positive relationship. It indicates that the Dividend Policy has a partial positive and significant effect on Firm Value. Therefore, H3, which states that Dividend Policy has a positive and significant effect on Firm Value, is accepted.

Testing the Effect of Profitability on Dividend Policy. Based on the t-test in substructural table 1, Profitability (X1), proxied by LN_ROA, has a significance value of 0.000 < 0.05 and a calculated t-value > t-table (6.081 > 1.655). The LN_ROA coefficient indicates a positive relationship. It indicates that Profitability has a partial positive and significant effect on Dividend Policy. Therefore, H4, which states that Profitability has a positive and significant effect on Dividend Policy, is accepted.

Testing the Effect of Liquidity on Dividend Policy. The t-test in substructural table 1 shows that Liquidity (X2), proxied by CshR, has a significance value of 0.303 > 0.05 and a calculated t-value < t-table (1.033 < 1.655). The CshR coefficient indicates a positive relationship. It indicates that Liquidity has no partial and insignificant effect on Dividend Policy. Therefore, H5, which states that Liquidity has a positive and significant effect on Dividend Policy, is rejected.

Sobel Test Results, Testing the Effect of Profitability on Firm Value Through Dividend Policy.

α = Coefficient of X1 against Z = 0.336
b = Coefficient of Z against Y = 0.339
Sa = Standard error of X1 against Z = 0.055
Sb = Standard error of Z against Y = 0.116

$$S_{ab} = \sqrt{b^2Sa^2 + a^2Sb^2 + Sa^2Sb^2}$$

$$= \sqrt{(0{,}339^2 \,.\, 0{,}055^2) + (0{,}336^2 \,.\, 0{,}116^2) + (0{,}055^2 \,.\, 0{,}116^2)}$$

$$S_{ab} = \sqrt{(0{,}114921 \,.\, 0{,}003025) + (0{,}112896 \,.\, 0{,}013456) + (0{,}003025 \,.\, 0{,}013456)}$$

$$= \sqrt{0{,}000347636 + 0{,}0015191286 + 0{,}0000040704}$$

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$$= \sqrt{0{,}001870835}$$

$$S_{ab} = 0{,}043253150$$

$$Z = \frac{ab}{S_{ab}}$$

$$Z = \frac{(0{,}336 \,.\, 0{,}339)}{0{,}0432}$$

$$Z = \frac{0{,}113904}{0{,}0432}$$

$$Z = 2{,}636$$

With a Z table of 1.96, the calculated Z > Z table (2.636 > 1.96), so that the conclusion that can be drawn is that Dividend Policy is able to mediate the effect of Profitability on firm value and hypothesis 6 is accepted.

Testing the Effect of Liquidity on firm value Through Dividend Policy.

α = Coefficient of X2 with respect to Z = 0.038
b = Coefficient of Z with respect to Y = 0.339
Sa = Standard error of X2 with respect to Z = 0.036
Sb = Standard error of Z with respect to Y = 0.116

$$S_{ab} = \sqrt{b^2Sa^2 + a^2Sb^2 + Sa^2Sb^2}$$

$$= \sqrt{(0{,}339^2 \,.\, 0{,}036^2) + (0{,}038^2 \,.\, 0{,}116^2) + (0{,}036^2 \,.\, 0{,}116^2)}$$

$$S_{ab} = \sqrt{(0{,}114921 \,.\, 0{,}001296) + (0{,}001444 \,.\, 0{,}013456) + (0{,}001296 \,.\, 0{,}013456)}$$

$$= \sqrt{(0{,}114921.\, 0{,}001296) + (0{,}001444 \,.\, 0{,}013456) + (0{,}001296 \,.\, 0{,}013456)}$$

$$= \sqrt{0{,}0001858071}$$

$$S_{ab} = 0{,}0136311078$$

$$Z = \frac{ab}{S_{ab}}$$

$$Z = \frac{(0{,}038 \,.\, 0{,}339)}{0{,}0136}$$

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$$Z = \frac{0{,}012882}{0{,}0136}$$

$$Z = 0{,}94$$

With a Z table of 1.96, the calculated Z < Z table (0.94 < 1.96), so the conclusion that can be drawn is that Dividend Policy is not able to mediate the effect of Liquidity on firm value and hypothesis 7 is rejected.

Based on the results of the hypothesis testing, it was found that profitability has a positive and significant effect on firm value; therefore, the first hypothesis **(H1) was accepted.** It indicates that the greater the net profit generated per unit of assets (ROA), the higher the market tendency to value the company higher than its book value. The greater the profit obtained, the higher the firm value. It occurs because high profits reflect the company's ability to manage operations efficiently. A healthy financial condition such as this indicates that the company is in a strong position to maintain its business sustainability, expand its market, and finance future growth. Thus, high profitability has a direct impact on increasing firm value as an indicator of company performance and development potential. In companies in the Consumer Non-Cyclical sector, stable profitability is an important indicator because this sector provides necessities whose demand is relatively constant despite changes in the economic cycle. Therefore, high profitability strengthens investor confidence and supports increased firm value.

The results of this study are consistent with signaling theory, which states that high profits are a positive signal to the market. Companies that are able to record consistent profits demonstrate good performance and promising prospects. Investors perceive this signal as an indication that the company is well-managed and has growth potential, thus driving increased investment interest. Demand for shares increases, which impacts share prices and increases firm value. The study's findings align with research conducted by Keni & Pangkey (2022), which states that profitability has a significant positive effect on firm value. A company's ability to maintain and increase profitability is attractive to investors. It is because stable and increasing profitability reflects good company performance. This good performance increases investor confidence, which in turn can drive share prices upwards. Similar results were obtained by Feryanto et al. (2023), Chasanah (2018), and Batin & Ismanto (2019), who stated that profitability has a positive and significant effect on firm value.

Based on the results of the hypothesis testing, it was found that Liquidity has a negative and significant effect on firm value; therefore, the second hypothesis **(H2) was rejected.** Companies with high cash actually have lower firm value. It could occur because companies hold too much funds that are not directly used for productive activities such as investment, business development, or performance improvement. In the Consumer Non-Cyclicals sector, which operates in the necessities sector, companies typically have stable cash flow. Therefore, when funds are held and not utilized, investors may perceive the company as less active in driving growth. As a result, the market views the company as unattractive, even though it appears capable of paying short-term obligations. Throughout 2018-2023, the average company's Cash Ratio increased from 0.77 to 1.17, indicating the company's increasing liquidity. However, this was not accompanied by an increase in firm value. On the contrary, the average PBV decreased from 6.04 to 4.14. Some companies even have a high Cash Ratio, but their Price to Book Value remains below 1. It indicates that the market does not automatically assign a high value simply because a company has much cash.

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On the other hand, there are also companies with a low Cash Ratio but have a high market value, because they can effectively utilize their assets to drive growth. Companies in the Consumer Non-Cyclicals sector produce goods with relatively stable daily demand, so they do not need to hold large amounts of cash without a clear direction for its use. If funds are stored without being utilized, the company is considered less efficient. Investors in this sector tend to value companies that are able to actively manage assets to support growth and increase profits, rather than simply displaying large cash that is not being used optimally. The results of the study do not support the signaling theory, which states that high liquidity will send a positive signal to investors regarding a company's ability to meet short-term obligations, thereby increasing firm value. It is because investors do not always respond positively to this signal, especially when high liquidity is not accompanied by productive use of funds. When cash is stored, the company is considered inefficient in managing its assets. Investors in this sector value companies that are able to manage cash to drive profits and growth, rather than simply the company's ability to meet short-term obligations. Therefore, high liquidity without a tangible contribution to business strategy actually reduces market confidence, negatively impacting firm value. The results of this study align with research conducted by Ramdita et al. (2025), which states that liquidity has a significant negative effect on firm value. High liquidity can stem from the accumulation of accounts receivable or unsold inventory. When these two components dominate the current asset structure, even though the liquidity ratio appears high, the effectiveness of the company's asset utilization becomes questionable. Astute investors can recognize this condition as an indication of potential inefficiencies in the company's operations, which can ultimately reduce investment interest. Similar results were obtained by Nur Utami & Widati (2022), Damayanti & Sucipto (2022), and Fitriana & Purwohandoko (2022), who stated that liquidity has a significant negative effect on firm value.

Based on the results of the hypothesis testing, it was found that Dividend Policy has a positive and significant effect on firm value; therefore, the third hypothesis **(H3) was accepted.** It indicates that the greater the percentage of profits distributed to shareholders through dividends, the higher the market tendency to value the company higher than its book value. In other words, large dividend distributions are clear evidence that the company is not only capable of generating profits but also consistently distributing them to shareholders, ultimately increasing market confidence. The greater the dividends a company distributes to shareholders, the more the company is perceived as having good financial performance. The Consumer Non-Cyclicals sector, which includes necessities and is continuously needed by consumers regardless of economic cycles, tends to have relatively consistent profit levels. This condition allows companies in this sector to pay dividends regularly and stably. The results of this study are in accordance with signaling theory, which states that dividends are one of the signals given by management to investors regarding the company's prospects and financial condition. When a company distributes large or increasing dividends, it is considered a positive signal that the company has good financial performance and bright prospects in the future. This signal will be a sign that investors have more confidence in the company, thus impacting the increase in firm value. The study's findings align with those of Wicaksono & Mispiyanti (2020), which found that dividend policy has a significant positive effect on firm value. High dividend payments can be a positive signal to investors, increasing their confidence in the company, potentially driving firm value upwards. Similar findings were also obtained by Gz & Lisiantara (2022), Ovami & Nasution (2020), and Mahardikari (2021), who found that dividend policy has a positive and significant effect on firm value.

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Based on the results of the hypothesis testing, it is known that Profitability has a positive and significant effect on Dividend Policy; therefore, the fourth hypothesis **(H4) is accepted.** It indicates that the more effectively a company uses its assets to generate profits, the greater the funds available to be distributed to shareholders as dividends. High profits allow the company to have sufficient profit reserves so that the company can allocate a portion of these profits as dividends to shareholders. Thus, increased Profitability opens up opportunities for shareholders to receive larger dividends. The results of this study are in accordance with signaling theory, which states that companies with high Profitability will send a positive signal to the market through a larger Dividend Policy. In this case, dividends are considered a signal from the company to investors that the company has good and stable financial performance. By distributing high dividends, companies send information to investors that they are able to generate consistent profits, which in turn can increase investor confidence and strengthen the company's position in the market. The results of this study are in line with research conducted by Maryanti et al. (2023), which stated that Profitability has a significant positive effect on Dividend Policy. Profitability is an important aspect that companies consider in determining Dividend Policy. Dividend payments will be adjusted based on the company's profitability; the higher the company's profits, the greater its ability to pay dividends to shareholders. Similar results were obtained by Januarsi & Sanusi (2024), Ilham & Suwarno (2021), and Thunggalia et al. (2018), who found that profitability has a positive and significant effect on dividend policy.

Based on the results of the hypothesis testing, it was found that Liquidity had no significant effect on Dividend Policy; therefore, the fifth hypothesis **(H5) was rejected.** The amount of dividends distributed is not always determined by the amount of cash held by the company. Companies in this sector generally have stable cash flows because they operate in the necessities sector, whose demand remains relatively constant despite economic turmoil. Throughout the study period, the average Cash Ratio increased from 0.77 in 2018 to 1.17 in 2023, indicating that the company's ability to pay short-term obligations is increasing. However, this increase is not always accompanied by an increase in the Dividend Payout Ratio. Companies continue to distribute dividends regularly, not because of large cash reserves, but because of sufficient retained earnings and a commitment to maintaining investor confidence. The results of the study do not support the signaling theory, which states that companies with high levels of Liquidity will send a positive signal to investors through large dividend distributions. It is because companies in this sector generally have stable cash flows and sufficient profit reserves, allowing them to distribute dividends regularly without having to rely on large cash holdings. In other words, even if Liquidity increases, companies do not immediately increase dividends, because the decision is based more on available profits and consistency in maintaining the long-term Dividend Policy. The results of this study are in line with research conducted by Samosir et al. (2024), which states that Liquidity does not affect Dividend Policy. Companies will not increase dividend distributions to maintain their reputation when Liquidity conditions are declining or at low levels. Most companies have sizable profit reserves, which can be used for dividend distribution or for reinvestment needs, without the need to change the dividend distribution portion. High or low Liquidity is not a major factor in dividend distribution decisions. Regardless of the level of Liquidity, companies can still distribute dividends regularly every year by relying on their profit reserves. Similar results were also obtained by Rahmansyah & Mahroji (2024), Azizah & Paramita (2024), and Arrahma & Nugroho (2023), who stated that Liquidity does not affect Dividend Policy.

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Based on the results of the hypothesis testing, it is known that Dividend Policy is able to mediate the effect of Profitability on Firm Value; therefore, the sixth hypothesis **(H6) is accepted.** It indicates that high profits encourage companies to distribute dividends, and this policy strengthens investors' perceptions of Firm Value. Increased Profitability reflects good financial performance and efficient operations, thus providing room for companies to establish dividend distribution policies. The greater the profit earned, the greater the company's capacity to distribute dividends to shareholders. With this Dividend Policy, the resulting profit not only serves as an indicator of operational success but also serves as a means of positive communication to investors, thereby strengthening market perceptions of Firm Value. The results of this study are consistent with signaling theory, which states that companies can use Dividend Policy to send positive signals to the market. Dividends distributed indicate that the company has good financial performance, is able to generate stable profits, and has sustainable prospects. This signal encourages positive investor perceptions, increases market confidence, and ultimately contributes to increasing Firm Value. The results of this study are in line with research conducted by Maryanti et al. (2023), which states that Dividend Policy is able to mediate the effect of Profitability on Firm Value. Profitability is a key consideration for investors in investment decision-making. High dividend payouts tend to attract investors. Consistency in dividend payouts reflects a company's financial health. Therefore, stable or increasing dividend payments can be a positive signal for investors, which in turn can drive share price increases and firm value. Similar results were obtained by Agung et al. (2020) and Pertiwi & Dewati (2022), who stated that dividend policy can mediate the effect of profitability on firm value.

Based on the results of the hypothesis testing, it was found that the Dividend Policy was unable to mediate the effect of Liquidity on Firm Value; therefore, the seventh hypothesis **(H7) was rejected.** Consumer Non-Cyclical companies generally have stable cash flows and adequate levels of Liquidity. However, the presence of sufficient cash does not automatically encourage changes in Dividend Policy. The implemented Dividend Policy tends to be conservative and is aimed at maintaining the stability of dividend payments from year to year, rather than adjusting to short-term Liquidity conditions. During the 2018-2023 period, although the average Cash Ratio of companies increased from 0.77 to 1.17, this increase was not accompanied by significant changes in Dividend Policy. It indicates that Liquidity is not strong enough to influence dividend determination, so the mediating path to Firm Value is not formed. In other words, dividends cannot bridge the relationship between Liquidity and Firm Value, because companies prioritize the stability and sustainability of Dividend Policy, regardless of fluctuations in cash positions. The research results do not support the signaling theory, which states that companies with strong financial conditions, such as adequate liquidity, will use dividend policy as a tool to convey positive signals to investors regarding the company's prospects and stability, thus expected to increase market confidence and corporate value. However, in this sector, because liquidity does not affect dividend policy, the expected signal from dividend distribution is not conveyed. It means that even though a company has good liquidity, this does not necessarily encourage the company to distribute larger dividends. The research results are in line with research conducted by Oktasia et al. (2023), which states that dividend policy is unable to mediate the effect of liquidity on corporate value. High liquidity does not automatically increase corporate value through dividends, as companies may prioritize short-term liabilities over increasing dividend payments. Similar results were also obtained by Rahmasari et al. (2019) and Marhaenis & Wany (2021), who stated that dividend policy is unable to mediate the effect of liquidity on corporate value.

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CONCLUSION

Based on the results of tests conducted to determine the effect of Profitability and Liquidity on firm value with Dividend Policy as an Intervening Variable in Consumer Non-Cyclicals sector companies listed on the Indonesia Stock Exchange for the 2018-2023 period, the following conclusions can be drawn. First, Profitability has a significant positive effect on firm value. High profits reflect a company's ability to manage operations efficiently and maximize assets. It provides a positive signal to the market that the company has stable performance and strong prospects. Investors respond by increasing interest in the company's shares, thus driving an increase in firm value. Second, Liquidity has a significant negative effect on firm value. High liquidity is not always perceived positively by investors, especially if cash is not utilized productively. When cash is stored without being used for business development, the market perceives the company as less efficient, thus negatively impacting firm value. Third, Dividend Policy has a significant positive effect on firm value. Consistent and increasing dividend distribution is clear evidence that the company is able to provide returns to shareholders. It strengthens investor confidence in the company's financial health and prospects, which ultimately increases firm value in the eyes of the market. Fourth, Profitability has a significant positive effect on Dividend Policy. High profitability provides room for companies to establish a larger Dividend Policy. Adequate profits allow companies to share profits with shareholders, thus demonstrating the company's commitment to shareholders and strengthening the company's image. Fifth, Liquidity does not affect Dividend Policy.

Even though a company has sufficient cash, dividend distribution decisions still depend on profits and the consistency of the long-term Dividend Policy, not on the amount of cash. Sixth, Dividend Policy can mediate the effect of Profitability on Firm Value. High profitability allows companies to distribute stable dividends, which sends a positive signal to the market about good financial performance. It ultimately increases investor confidence and encourages increased Firm Value. Seventh, Dividend Policy cannot mediate the effect of Liquidity on Firm Value. High Liquidity does not play a role in shaping Dividend Policy, so dividends cannot bridge the effect of Liquidity on Firm Value. It means that the signal from high cash is not conveyed through dividends, and therefore does not contribute to increasing Firm Value.

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