

EXAMINING THE IMPACT OF PROFITABILITY, INVESTMENT DECISIONS, AND DIVIDEND POLICY ON FIRM VALUE: EVIDENCE FROM INDONESIAN LISTED FOOD AND BEVERAGE COMPANIES

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ABSTRACT

A firm's optimal firm value can attract potential funding sources, such as investors. Firm value is defined as the performance of a company, which has the capacity to influence investors' perceptions regarding the allocation of investment funds in a company. The objective of this study is to examine the impact of dividend policy, debt policy, and profitability on firm value among food and beverage sector companies listed on the Indonesia Stock Exchange (IDX). The population of this study consists of food and beverage sector companies listed on the Indonesia Stock Exchange for the 2020–2023 period, with a total population of 93 companies. The sample size was determined using purposive sampling, resulting in 17 companies meeting the criteria for inclusion in this study, with a total of 85 observation data points. The data analysis techniques employed in this study encompass classical assumption tests, multiple linear regression analysis, coefficient of determination analysis, the Y-test, and the t-test. The findings of the study suggest a positive and significant relationship between profitability and firm value. Investment decisions do not exert a substantial influence on firm value. The dividend policy of a firm can exert a deleterious effect on the firm's value.

Keywords: profitability, investment decisions, dividend policy, firm value

1. INTRODUCTION

The fundamental objective of a company is to generate profits and enhance the well-being of its owners or shareholders. According to Sutanto et al. (2021), a company is defined as an organization that engages in the provision of goods or services with the primary objective of generating profits. Furthermore, the accelerated development of industry has been identified as a significant catalyst for economic growth in numerous countries (Ardatiya et al., 2022). Consequently, the accomplishment of a company's objectives is indicative of the efficacy and prosperity of its various components.

The generation of profits is a critical component of a company's ability to maintain business stability and sustainability. As Anggraini et al. (2024) posit, companies endeavor to maximize profits with the objective of increasing corporate value. Capital plays a crucial role in supporting operational activities, business development, and investment. As a company expands, its capital requirements concomitantly rise, prompting the consideration of the capital market as a potential source of funding.

According to Law No. 8 of 1995, the term "capital market" is defined as the set of activities related to public offerings and the trading of securities. The capital market functions as a nexus where entities seeking long-term financial resources and investors with available capital converge (Zulkarnaeni et al., 2024). Lubis et al. (2024) posit that the capital market confers advantages to both investors, seeking returns, and companies, seeking to obtain funds for purposes including expansion and operational needs.

In Indonesia, the capital market is overseen by the Indonesia Stock Exchange (IDX), which functions as the preeminent platform for the trading of stocks and other financial instruments (Machieu & Hippy, 2025). The IDX plays a role in supporting good corporate governance and providing financing and investment opportunities for the public through regulation and transparency (Basyarudin & Ramadhan,

2024). Stable economic growth is also a key factor in driving the development of the capital market in Indonesia (Lubis et al., 2024).

Enterprise value is a pivotal indicator in the capital market, as it reflects performance, prospects, and the level of investor confidence. According to Eka et al. (2023), the concept of enterprise value exerts a significant influence on investor perceptions, and this influence is commonly reflected in the prices of company stocks. The concept of corporate value is intricately intertwined with the long-term objectives of financial management, particularly the maximization of corporate value to enhance shareholder prosperity (Harmana, 2023). An appropriate capital structure, stable profitability, and sustainable growth are strategic factors in increasing corporate value (Oktaviani & Setiawati, 2022).

The value of a company can be determined by employing the Price-to-Book Value (PBV) ratio, which is the ratio of the stock price to the book value per share (Sari & Sudharyati, 2024). The higher the PBV, the greater the company's ability to create value for shareholders (Afilian & Susilo, 2024). Consequently, a company's value serves as a pivotal metric for investors in evaluating the company's long-term prospects.

This study examines the factors influencing firm value, namely profitability, investment decisions, and dividend policy. Profitability is defined as a firm's ability to generate profits, and it is measured using Return on Assets (ROA), which indicates the firm's effectiveness in utilizing assets to generate profits (Wesso et al., 2022). A high return on assets (ROA) is indicative of strong performance, thereby enhancing investor confidence (Sari, 2021). A body of research has identified a positive correlation between profitability and firm value (see Nisa et al., 2021; Rimananda & Pranjoto, 2022; Rahma et al., 2024). However, other studies have yielded contradictory results, suggesting that profitability can exert a deleterious effect on firm value under specific conditions (Safitri et al., 2021; Sari & Hidayah, 2025).

The second factor is investment decision-making, defined as the process of allocating funds to assets or projects with the objective of obtaining future benefits (Desy Geriadi, 2023). The measurement of investment decisions is achieved through the utilization of the Fixed Asset Ratio (FAR), which is defined as the ratio of fixed assets to total assets (Suharti & Huda, 2020). This ratio is indicative of the extent to which a company relies on fixed assets in its operations (Wahyuliza et al., 2024). A body of research has identified a positive correlation between investment decisions and firm value (see Rahadian & Surwanti, 2024; Anggraini et al., 2024). However, other studies indicate that investment decisions can have a negative impact if funds are allocated to less productive or high-risk projects (Setiawan et al., 2024; Suarini & Yuniasih, 2023).

The third factor is dividend policy, which refers to a company's decision regarding the amount of profits distributed to shareholders (Widyandito, 2024). The dividend policy is measured using the Dividend Payout Ratio (DPR) (Nurulrahmatiah, 2023). This policy is indicative of the management team's perspective on the corporation's future prospects and has the potential to influence investor confidence (Umbung et al., 2021). A multitude of studies have indicated that dividend policy exerts a positive effect on firm value, as it is regarded by investors as a favorable indication. However, extant research suggests that dividend policy can have a deleterious impact by reducing internal funds available for investment and business development.

This study was conducted on companies in the food and beverage sector that are listed on the Indonesia Stock Exchange. The selection of this sector was predicated on the premise that its products are considered fundamental necessities for the general public and have been demonstrated to exhibit relatively sustainable growth patterns. However, the profitability trends within this sector tend to be unstable, making it worthwhile to investigate further the factors that influence company value. The

subsequent data set presents an analysis of the market capitalization of food and beverage manufacturing companies listed on the Indonesia Stock Exchange:

Table 1. Data on ROA, FAR, DPR, and PBV for manufacturing companies in the food and beverage sub-sector on the Indonesia Stock Exchange from 2020 to 2024

| NO | YEAR | ROA | FAR | DPR | PBV |
|----|------|-------|--------|--------|------|
| 1 | 2020 | 3.14% | 39.89% | 13.32% | 2.10 |
| 2 | 2021 | 2.16% | 39.42% | 15.25% | 2.03 |
| 3 | 2022 | 2.23% | 38.70% | 17.29% | 2.13 |
| 4 | 2023 | 4.14% | 38.41% | 11.84% | 1.91 |
| 5 | 2024 | 2.87% | 37.76% | 15.96% | 1.59 |

Source: www.idx.co.id (data processed), 2025

A close examination of the data presented in Table 1 reveals that manufacturing companies in the food and beverage subsector that are listed on the Indonesia Stock Exchange during the 2020–2024 period have demonstrated variability in the variables Return on Assets (ROA), Fixed Asset Ratio (FAR), Dividend Payout Ratio (DPR), and Price-to-Book Value (PBV). This suggests that the companies' financial performance has not yet demonstrated a stable pattern over the medium term.

The ROA ratio exhibited fluctuations during the observation period, suggesting that the company's capacity to generate profits from its assets is characterized by variability. This suggests that the company's profitability is not yet consistent and is still influenced by both internal and external factors. The FAR ratio has exhibited a downward trend on an annual basis, suggesting a diminishing proportion of fixed assets in the company's total assets. This trend suggests a modification in the asset structure, which may be indicative of the company's strategy concerning the management of investments in fixed assets, as well as potential adjustments to operational needs.

The Dividend Payout Ratio (DPR) also exhibits an unstable pattern, reflecting changes in dividend distribution policies as well as fluctuations in corporate profits. This situation suggests that companies have not yet established a consistent dividend distribution pattern, which may influence investors' perceptions of the stability of investment returns. Concurrently, the PBV exhibited a downward trend during the observation period, signifying a decline in market valuation of companies in the food and beverage sub-sector. The decline in PBV is indicative of a shift in investor perceptions regarding the companies' prospects and performance.

A comprehensive examination of the four variables presented in Table 1.1 reveals an overall indication of instability and a downward trend in several key indicators. This observation is particularly noteworthy as it mirrors the dynamics of the company's financial performance, thereby underscoring the necessity for further scrutiny.

2. LITERATURE AND HYPOTHESES

Profitability

According to Afilian & Susilo (2024), profitability is a company's ability to generate profits over a specific period and serves as a measure of the company's overall operational effectiveness. Profitability can be measured using return on assets (ROA). Sari (2021) states that a higher ROA value indicates better returns for investors. The following is the calculation of ROA (return on assets) according to Kasmir (2016):

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\% \dots \dots \dots (1)$$

Investment Decisions

According to Desy Geriadi (2023), an investment decision is a process of allocating funds or resources to specific projects or assets with the aim of obtaining future benefits or profits. Meanwhile, Nuzula (2020) states that investment is the activity of managing or deploying funds to generate future profits. In this study, investment decisions are measured using the fixed assets ratio (FAR) as a proxy. According to Suharti & Huda (2020), the Fixed Asset Ratio (FAR) is the ratio of a company's fixed assets to its total assets. The formula for calculating the FAR, according to Sutrisno (2016), is as follows:

$$\text{Fixed asset ratio (FAR)} = \frac{\text{Fixed assets}}{\text{Total Assets}} \times 100\% \dots\dots(2)$$

Dividend Policy

Widyandito (2024) defines a dividend policy as a company's policy in determining the amount of dividends to be distributed to shareholders. Meanwhile, according to Eka et al. (2023), a dividend policy is a decision regarding whether the profits generated by a company should be distributed to shareholders as dividends or retained as retained earnings to finance future investments. The measure of dividend policy in this study is the DPR (Dividend Payout Ratio). According to Nurulrahmatiah (2023), the dividend payout ratio is a ratio that indicates the comparison between cash dividends per share and earnings per share. The dividend payout ratio is the ratio resulting from the comparison between dividends and earnings available to common shareholders.

$$\text{Dividend Payout Ratio (DPR)} = \frac{\text{Dividend Per Share}}{\text{Earnings Per Share}} \dots\dots(3)$$

Enterprise Value

According to Nisa et al. (2021), enterprise value—also known as market value—is the price a potential buyer is willing to pay if the company were sold. Sringo-ringo (2023) also emphasizes that enterprise value reflects the public's actual assessment of the company's performance, which can be measured by the market stock price. Enterprise value can be measured using the Price-to-Book Value (PBV) ratio, which is the comparison between the stock price and the book value per share; a higher PBV indicates the company's greater ability to create value for shareholders (Sari & Sudharyati, 2024; Afilian & Susilo, 2024). The Price-to-Book Value (PBV) formula according to Brigham and Houston (2013):

$$\text{PBV} = \frac{\text{Stock Price per Share}}{\text{Book Value per Share}} \dots\dots\dots(4)$$

Hypothesis

The Effect of Profitability on Firm Value

According to Afilian & Susilo (2024), profitability is defined as a company's ability to generate profits over a specific period and serves as a measure of the company's overall operational effectiveness. Concurrently, Angelina & Amanah (2021) posit that profitability is a company's ability to generate profits in relation to sales, total assets, or equity. Consequently, a company's perceived value by investors is also influenced by its profitability, or the ability to generate profits. This, in turn, leads to an increase in stock prices and an enhancement of shareholder value as the company's value rises. Profitability can be measured using return on assets (ROA). According to Wesso et al. (2022), ROA serves as a metric for evaluating a company's effectiveness in generating profits through the utilization of its assets. ROA is a metric used to assess the effectiveness with which a company utilizes its assets to generate profits. This finding is consistent with the research conducted by Nisa et al. (2021), Rimananda & Pranjoto (2022),

Rahma et al. (2024), and Suarini & Yuniasih (2023), which demonstrated that profitability has a positive and significant impact on a company's value. The findings suggest a positive correlation between a company's profitability and its market valuation.

H₁: Profitability has a positive effect on firm value.

The Effect of Investment Decisions on Firm Value

Desy Geriadi (2023) posits that investment decisions are a process of allocating funds or resources to specific projects or assets with the objective of obtaining future benefits or profits. Concurrently, Nuzula (2020) posits that investment signifies the management or allocation of financial resources with the objective of generating future profits. In this study, investment decisions are measured using the fixed assets ratio (FAR) as a proxy. According to Suharti & Huda (2020), the Fixed Assets Ratio (FAR) is the ratio of a company's fixed assets to its total assets. Wahyuliza et al. (2024) posit that the fixed asset ratio measures the extent to which a company relies on fixed assets (e.g., buildings, equipment) in its operations compared to current assets (e.g., accounts receivable, cash). Conversely, a higher FAR ratio is indicative of greater investment prospects and a stronger indication of potential future revenue growth. This is regarded as favorable news for investors, as it indicates potential for growth and can positively influence the company's performance. Consequently, this can increase the stock price and ultimately influence the company's overall value. This finding aligns with the conclusions of studies conducted by Rahadian & Surwanti (2024), Nisa et al. (2021), Anggraini et al. (2024), Apriani et al. (2021), and Saputra et al. (2023), which found that investment decisions have a significant positive impact on firm value. These findings suggest a positive correlation between investment decisions and company value. Specifically, it appears that the more prudent the investment decisions made by a company—for example, the allocation of funds to profitable, low-risk projects—the more the company's value tends to increase, as these decisions generate higher expected returns for investors. In light of the aforementioned discourse, the subsequent hypothesis is hereby formulated:

H₂: Investment decisions have a positive effect on firm value.

The Effect of Dividend Policy on Firm Value

As posited by Widyandito (2024), dividend policy is defined as a company's strategy for determining the quantity of dividends allocated to shareholders. Concurrently, Eka et al. (2023) posit that dividend policy constitutes the determination of whether the profits generated by the company should be allocated to shareholders in the form of dividends or retained as retained earnings to fund future investments. The primary metric of dividend policy in this study is the DPR (Dividend Payout Ratio). According to Nurulrahmatiah (2023), the Dividend Payout Ratio (DPR) is a metric that indicates a comparison between cash dividends per share and earnings per share. The correlation between the magnitude of dividends allocated to shareholders and the subsequent interest among investors in acquiring the company's shares is a subject of considerable scholarly inquiry. Consequently, the stock price will rise, which will positively impact the company's value. This finding is consistent with the conclusions of recent research conducted by Rahadian & Surwanti (2024), Setiawan et al. (2024), and Saputra et al. (2023), which demonstrated that dividend decisions exert a positive and significant influence on firm value. The findings of the present study indicate that as the dividends distributed by a company increase, the perceptions of investors regarding the company's value become more positive. Consequently, the market interprets dividend distributions as an indication of the company's favorable performance and future prospects. In light of the aforementioned discourse, the subsequent hypothesis is hereby formulated:

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

3. RESEARCH METHOD

This study was conducted at the Indonesia Stock Exchange (IDX), which provides corporate financial report information accessible via the IDX's official websites: www.idx.co.id, and . The research objects in this study are profitability, investment decisions, and dividend policies regarding firm value in food and

beverage sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024. The sample in this study was selected using a non-probability sampling method, specifically purpose sampling. The sample criteria considered in this study are: companies that were not listed consecutively from 2020 to 2023 and companies that did not publish financial reports for the years 2020–2023. Thus, the final sample size used in this study consists of 17 companies, with a total of 85 financial statements (17 companies × 5-year observation period). The data analysis techniques used were Descriptive Statistical Tests, Classical Assumption Tests, Multiple Linear Regression Analysis, Coefficient of Determination Test (adjusted R^2), F-Test, and Hypothesis Testing (t-Test).

4. RESULTS AND DISCUSSION

Classical Assumption Tests

a. Normality Test

Table 2. Normality Test Results

| | Unstandardized Residual |
|------------------------|-------------------------|
| N | 85 |
| Asymp. Sig. (2-tailed) | 0.851 |

Source: Processed data, 2025

Table 2 shows that the Asymp. Sig. (2-tailed) value is 0.851. This value is greater than 0.05, which means that the variable in question can be said to be normally distributed.

b. Multicollinearity Test

Table 3. Multicollinearity Test Results

| Independent Variables | Tolerance | VIF Value |
|-----------------------|-----------|-----------|
| Profitability | 0.832 | 1.202 |
| Investment Decision | 0.855 | 1.169 |
| Dividend Policy | 0.735 | 1.361 |

Source: Processed data, 2025

Table 3 shows that the value is greater than 0.10 and the VIF value is less than 10. Therefore, it can be concluded that there is no multicollinearity in the regression model.

c. Autocorrelation Test

Table 4. Autocorrelation Test Results

| Model | R | R-Square | Adjusted R-Square | Standard Error of the Estimate | Durbin-Watson |
|-------|--------------------|----------|-------------------|--------------------------------|---------------|
| 1 | 0.410 ^a | 0.168 | 0.137 | 0.82786 | 2.051 |

Source: Processed data, 2025

Table 4 shows that the Durbin–Watson value lies between d_U and $(4 - d_U)$, namely $1.721 < 2.051 < 2.279$; therefore, it can be concluded that there is no autocorrelation in the regression model.

d. Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

| Independent Variables | Sig. |
|-----------------------|-------|
| Profitability | 0.379 |
| Investment Decision | 0.129 |
| Dividend Policy | 0.318 |

Source: Processed data, 2025

Table 5 shows that the significance value between the independent variables and their absolute residual values (ABS_RES) is greater than 0.05. This means that there is no heteroscedasticity in the regression model.

Data Analysis Results

Table 5. Summary of Multiple Linear Regression Analysis Results

| Model | Unstandardized | | Standardized | t | Sig. |
|---------------------|----------------|------------|--------------|--------|-------|
| | Coefficients | | Coefficients | | |
| | B | Std. Error | Beta | | |
| 1 (Constant) | 0.275 | 0.250 | | 1.100 | 0.275 |
| Profitability | 4.074 | 1.518 | 0.298 | 2.684 | 0.009 |
| Investment Decision | 0.116 | 0.542 | 0.024 | 0.215 | 0.831 |
| Dividend Policy | -1.444 | 0.424 | -0.403 | -3.405 | 0.001 |

a. Dependent Variable: PBV

Source: Processed data, 2025

a. Results of Multiple Linear Regression Analysis

Based on the values in Table 7, the multiple linear regression equation will be:

$$Y = 0.774 + 0.303 X_1 + 0.360 X_2 + 0.423 X_3$$

Based on the multiple linear regression equation above, the regression line equation provides the following information:

- 1) $\alpha = 0.275$: meaning that if profitability, investment decisions, dividend policy, and firm value are all zero, then the firm's value is 2.778.
- 2) $\beta_1 = 4.074$: this means that for every 1-unit increase in profitability, the firm's value will increase by 4.074. This assumes that profitability, investment decisions, and dividend policy are all set to zero. Thus, profitability has a positive effect on the firm's value.
- 3) $\beta_2 = 0.116$: This means that for every 1-unit increase in investment decisions, the firm's value will increase by 0.116. This is assuming that profitability, investment decisions, and dividend policy are held constant. Thus, investment decisions have a positive effect on firm value.
- 4) $\beta_3 = -1.444$: indicates that, assuming profitability, investment decisions, and dividend policy are zero, a one-unit increase in dividend policy will decrease the firm's value by 1.444 units, so dividend policy has a negative effect on the firm's value.

b. Coefficient of Determination

Based on Table 5, the coefficient of determination (R-squared) is 0.168. This indicates that 16.8% of the variation in firm value can be explained by the variables of profitability, investment decisions, and dividend policy, while 83.2% is explained by other factors outside the scope of this study. Although the coefficient of determination (R-squared) is relatively small, the regression model remains valid because the independent variables were found to have a significant effect and the research results are consistent with existing theory.

c. F-Test

Based on the analysis in Table 5, the calculated F-value is 5.457 with a significance level of 0.002. This significance level is less than 0.05, so it can be concluded that the variables of profitability, investment decisions, and dividend policy simultaneously have a significant effect on firm value.

d. t-Test

Based on the analysis results in Table 7 above, the following conclusions can be drawn:

- 1) The Effect of Profitability on Firm Value

The profitability variable (ROA) has a significance level of 0.009. This significance value is less than 0.05, so it can be concluded that profitability has a positive and significant effect on firm value. These results indicate that the higher a company's ability to generate profits, the higher its value in the eyes of investors. Thus, the first hypothesis (H1), which states that profitability has a positive effect on firm value, is accepted.

2) The Effect of Investment Decisions on Firm Value

The investment decision variable (FAR) has a significance level of 0.831. This significance value is greater than 0.05, so it can be concluded that investment decisions do not have a significant effect on firm value. Although the regression coefficient indicates a positive direction of influence, this effect is not statistically significant. Therefore, the second hypothesis (H2), which states that investment decisions have a positive effect on firm value, is rejected.

3) The Effect of Dividend Policy on Firm Value

The dividend policy variable (DPR) has a significance level of 0.001. This significance value is less than 0.05, so it can be concluded that dividend policy has a significant effect on firm value, but with a negative direction of influence. These results indicate that an increase in dividend policy is actually followed by a decrease in firm value. Thus, the third hypothesis (H3), which states that dividend policy has a positive effect on firm value, is rejected.

Discussion

The Effect of Profitability on Firm Value in Food and Beverage Companies on the Indonesia Stock Exchange for the 2020–2024 Period.

The findings of the analysis suggest a positive and significant relationship between profitability and firm value. This finding indicates a positive correlation between profitability and firm value, suggesting that as profitability levels increase, so does the firm's value. The company's high profitability serves as a positive signal to investors, indicating that the company is in a profitable position and capable of generating optimal profits. This positive signal has been shown to increase demand for shares, leading investors to value the company's shares higher than the book value recorded on the balance sheet. Consequently, an increase in profitability is followed by an increase in corporate value. This finding aligns with the principles of signaling theory, which posits that information pertaining to high profitability is perceived as a positive signal by the market and investors, indicating robust performance of the company. The company's ability to generate substantial profits is indicative of its robust financial health and its capacity to generate sustainable earnings, rendering it appealing to investors as it signifies a promising future for the company and the potential for enhanced returns in the future. Afilian & Susilo (2024) posit that profitability is a company's ability to generate profits over a specific period and serves as an indicator of the company's overall operational effectiveness. Concurrently, Angelina & Amanah (2021) posit that profitability is a company's ability to generate profits in relation to sales, total assets, or equity. Consequently, as a company's profitability level increases, investor confidence in the company's performance is also likely to rise. This phenomenon has been demonstrated to precipitate heightened investment interest, which, in turn, has been shown to engender an augmentation in the company's valuation. This finding is consistent with the research conducted by Nisa et al. (2021), Rimananda & Pranjoto (2022), Rahma et al. (2024), and Suarini & Yuniasih (2023), which demonstrated that profitability has a positive and significant effect on firm value.

The Effect of Investment Decisions on Firm Value in Food and Beverage Companies Listed on the Indonesia Stock Exchange for the 2020–2024 Period.

The findings of the analysis suggest that investment decisions do not exert a substantial influence on firm value. This suggests that the investments made by companies have not yet had a direct impact on increasing firm value during the study period. This finding is consistent with the research by Mulyani et al. (2025), which indicates that investment decisions in food and beverage companies do not invariably have a substantial impact on firm value. The presence of unstable economic conditions, particularly during the

period of the ongoing pandemic of the novel corona virus (SARS-CoV-2) and the subsequent recovery period, has led to a greater degree of caution on the part of investors when evaluating corporate performance. According to the principles of signaling theory, investment decisions should serve as a positive signal to investors, indicating the company's plans for future growth and development. However, in an economy marked by uncertainty, such signals are not yet strong enough to convince investors. Investors place a greater emphasis on a company's capacity to preserve financial stability, liquidity, and cash flow than on the investment decisions themselves. The process of allocating funds or resources to a specific project or asset with the objective of generating future profits is referred to as an investment decision (Desy Geriadi, 2023). This perspective aligns with Nuzula's (2020) assertion that investment can be defined as the strategic allocation of financial resources with the objective of generating future profits. While investment decisions are theoretically expected to increase firm value, this effect has not yet been clearly observed in investors' assessments of the firm in this study. Consequently, while investment decisions are theoretically expected to enhance firm value, this effect has not yet been clearly reflected in investors' evaluations of the firm. This finding suggests that investment decisions have not yet become a primary factor considered by investors in determining firm value during the study period. The findings of this study are consistent with those of research conducted by Mulyani et al. (2025), Maulidina & Kusumayadi (2024), and Sugianto & Istanti (2024).

The Effect of Dividend Policy on Firm Value in Food and Beverage Companies on the Indonesia Stock Exchange for the 2020–2024 Period.

The findings of the present study suggest that dividend policy exerts a negative and substantial influence on firm value. The findings of this study demonstrate that an escalation in dividend policy is associated with a decline in firm value. This indicates that as the proportion of dividends paid by a company increases, its value tends to decrease, a phenomenon that can be statistically substantiated. This finding is consistent with the conclusions of several previous studies that identified a negative correlation between high dividend payouts and a company's capacity to invest or expand, consequently affecting its overall firm value. One potential explanation for this unfavorable outcome is that substantial dividend payments result in a reduction of the company's available cash resources, which could hinder investment opportunities or hinder the pursuit of business development initiatives. As posited by Widyandito (2024), the term "dividend policy" is defined as the decision-making process undertaken by a company with regard to the allocation of dividends to shareholders. Concurrently, Eka et al. (2023) posit that dividend policy entails the determination of whether the profits generated by the company should be allocated to shareholders in the form of dividends or retained as retained earnings to fund future investments. In the capital-intensive food and beverage industry, liquidity is crucial for operational management and expansion strategies. The distribution of substantial dividends by a company may result in the forfeiture of prospects to acquire assets, augment production capacity, or penetrate new markets. Consequently, investors perceive the company's growth prospects as lower, leading to a decline in the company's value. This phenomenon can be further elucidated through the lens of signaling theory. According to this theory, companies with limited growth or declining profitability may distribute high dividends to temporarily attract investors. However, the market often interprets excessive high dividend payments as a signal that the company lacks profitable investment opportunities. This phenomenon engenders a negative perception among investors regarding the company's long-term growth prospects, which, in turn, results in a decline in the stock price or the company's overall value. This finding is consistent with the conclusions of research conducted by Nisa et al. (2021), Anggraini et al. (2024), Risma, Apriani et al. (2021), Rimananda & Pranjoto (2022), and Suarini & Yuniasih (2023). These studies indicate that dividend policies have a negative impact on firm value.

5. CONCLUSIONS AND LIMITATIONS

Conclusion: The findings of this study indicate that profitability exerts a substantial and statistically significant influence on firm value. Consequently, the higher the level of profitability generated by a

company, the more it signals to investors that the company is in good financial health and capable of generating high profits. This, in turn, leads to investors' increased inclination to invest in companies with high profitability. Investment decisions do not exert a substantial influence on firm value. This suggests that the amount of funds a company invests has not yet been sufficient to meaningfully increase firm value because the benefits of investment are not immediately realized, while investors primarily evaluate companies based on proven financial performance and business stability. The present study demonstrates that dividend policy exerts a negative and significant impact on a company's value. Consequently, it can be deduced that a higher dividend policy implemented by a company will result in a decline in its value, while a lower dividend policy will lead to an increase in the company's value. The dividend policy dictates the distribution of profits to shareholders. Excessive dividend payouts can deplete a company's internal funds, thereby impeding its capacity to enhance its value.

The limitations of this study are as follows: the sample used in this study consists only of food and beverage companies listed on the Indonesia Stock Exchange from 2020 to 2024; this study only examines the variables of profitability, investment decisions, and dividend policies in relation to firm value; for companies, particularly food and beverage firms listed on the Indonesia Stock Exchange from 2020 to 2024, it is advisable to pay closer attention to investment decisions and dividend policies, as inappropriate investment decisions and dividend policies that are too high or too low can impact firm value. Consequently, it is incumbent upon companies to ensure that investments are made in a manner that will yield long-term benefits and establish a balanced dividend policy. This is essential to avoid reducing the internal funds necessary for business development and increasing corporate value. It is recommended that investors exercise greater caution when selecting companies in which to invest, by conducting a thorough examination of profitability, investment decisions, and dividend policies. This is done with the objective of increasing the expected returns on stock investments. This text is intended for future researchers. It is recommended that subsequent studies incorporate additional independent variables that influence firm value, such as liquidity, leverage, audit committees, and institutional ownership—factors that have the potential to affect firm value—while simultaneously increasing the sample size and extending the observation period. This would ensure that this research serves as a reliable reference for future studies in this field.

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