



The Influence of Capital Structure, Dividend Policy and Inflation on Company Value with Profitability as an Intravenous Variable in Banking Companies Listed on the Indonesian Stock Exchange in 2019-2023

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ABSTRACT

This study aims to analyze the factors that have influenced capital structure, dividend policy, and inflation on company value with profitability, both simultaneously and partially, with the factors that will be tested in this study being capital structure, dividend policy, and inflation. The type of data to be used is secondary data that will be sourced from financial reports that have been published through the Indonesia Stock Exchange website. The population that will be used in this research is all banking companies that have been registered on the Indonesia Stock Exchange (IDX) during the 2019–2023 period, with the number of companies totaling 35 companies, and the sampling method that will be used is purposive sampling. The data collection method that will be used is documentation, with data collection techniques through articles, journals, and published financial reports. The results of this study show the following: 1) Capital structure has an influence on profitability, 2) Dividend policy has an influence on profitability, 3) Inflation has no influence on profitability, 4) Capital structure has no influence on company value, 5) Dividend policy has an influence on company value, 6) Inflation has no influence on company value, 7) Profitability has an influence on company value, 8) There is no influence of capital structure on company value through profitability, 9) There is no influence of capital structure on company value through profitability, and 10) There is no influence of inflation on company value through profitability.

1. Introduction

The banking sector plays a strategic role in supporting economic growth and financial stability in both developed and developing countries. In Indonesia, banking institutions function not only as financial intermediaries but also as drivers of national economic development through the distribution of credit, investment facilitation, and financial inclusion programs. In an increasingly competitive financial environment, banking companies are required to maintain optimal financial performance and enhance firm value in order to attract investors and sustain long-term growth. Firm value is often associated with the market's perception of a company's performance and future prospects, while profitability reflects the

company's ability to generate earnings from its operational activities. Therefore, understanding the determinants of profitability and firm value has become an important issue in corporate finance research, particularly in the banking industry.

Several internal and external factors may influence profitability and firm value. Internal factors include capital structure and dividend policy, while external factors include macroeconomic variables such as inflation. Capital structure refers to the proportion of debt and equity used by a company to finance its operations and investments. An appropriate capital structure can increase operational efficiency and maximize profitability, whereas an inappropriate financing composition may increase financial risk and reduce firm

performance. Dividend policy also becomes an important consideration because it reflects the company's decision regarding the distribution of earnings to shareholders or retained earnings for future investment. Meanwhile, inflation as a macroeconomic factor may influence purchasing power, interest rates, investment decisions, and operational costs, thereby affecting corporate profitability and firm value.

Previous studies have shown inconsistent findings regarding the relationships between capital structure, dividend policy, inflation, profitability, and firm value. Several studies found that capital structure has a positive influence on profitability because the effective use of debt can increase returns through financial leverage. However, other studies reported that excessive debt may reduce profitability due to higher interest expenses and financial risk. Similarly, dividend policy has been found to influence profitability and firm value because dividend distribution can signal financial strength and improve investor confidence. Nevertheless, some studies suggest that dividend policy does not always significantly affect firm performance because companies may prioritize retained earnings for business expansion. In addition, inflation has also produced mixed findings in previous research. Some studies indicate that inflation negatively affects profitability and firm value due to rising operational costs and declining purchasing power, while other studies found insignificant effects because companies can adapt to inflationary conditions through strategic financial management.

These inconsistencies indicate the existence of research gaps in the literature concerning the determinants of profitability and firm value, particularly in the Indonesian banking sector. Most previous studies focused only on direct relationships between independent variables and firm value without considering the mediating role of profitability. Furthermore, studies examining the simultaneous effects of capital structure, dividend policy, and inflation on firm value through profitability in banking companies remain limited. Therefore, further research is needed to provide a more comprehensive understanding of how these variables interact in influencing firm value within the banking industry context.

Based on the background and research gaps

described above, the research problem in this study is formulated as follows: whether capital structure, dividend policy, and inflation influence profitability and firm value, both directly and indirectly through profitability, in banking companies listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. This problem formulation is important because banking companies operate in highly regulated and competitive environments, making financial decision-making crucial for maintaining profitability and enhancing firm value.

Accordingly, this study aims to analyze the influence of capital structure, dividend policy, and inflation on profitability and firm value, both simultaneously and partially, in banking companies listed on the Indonesia Stock Exchange during the 2019–2023 period. This study uses secondary data obtained from published financial reports available on the Indonesia Stock Exchange website. The population of this study consists of all banking companies listed on the IDX, with a total sample of 35 companies selected using purposive sampling techniques. Data collection is conducted through documentation methods using articles, journals, and published financial reports.

The results of this study indicate that: (1) capital structure has an influence on profitability; (2) dividend policy has an influence on profitability; (3) inflation does not affect profitability; (4) capital structure does not affect firm value; (5) dividend policy affects firm value; (6) inflation does not affect firm value; (7) profitability affects firm value; (8) there is no influence of capital structure on firm value through profitability; (9) there is no influence of dividend policy on firm value through profitability; and (10) there is no influence of inflation on firm value through profitability.

This study provides both theoretical and practical contributions. Theoretically, this research enriches the literature on corporate finance by examining the relationships between capital structure, dividend policy, inflation, profitability, and firm value within the banking sector, while also testing the mediating role of profitability. Practically, the findings are expected to provide insights for company management, investors, and policymakers regarding financial decision-making strategies that can improve profitability and maximize firm value in banking companies. The novelty of this study lies in its comprehensive

examination of internal and external financial factors affecting firm value through profitability in Indonesian banking companies during the post-pandemic economic recovery period.

2. Literature Review

2.1 Conceptual and Theoretical Foundations

This study examines the influence of capital structure, dividend policy, and inflation on firm value with profitability as an intervening variable in banking companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. Firm value is considered an important indicator that reflects investor perceptions of a company's future prospects and overall financial performance. In the banking sector, firm value is commonly measured using the Price to Book Value (PBV) ratio because it reflects market confidence in the company's equity performance.

Capital structure theory explains how the proportion of debt and equity financing affects company performance and value. The trade-off theory suggests that companies attempt to achieve an optimal capital structure by balancing the benefits of debt financing with the potential costs of financial distress. Previous studies found that capital structure can influence profitability and firm value because financing decisions affect operational efficiency and investor confidence (Hamidy et al., 2015; Amelia & Anhar, 2019). Profitability is commonly measured using Return on Assets (ROA), which reflects management effectiveness in generating profits from company assets.

Dividend policy is another important financial decision related to the distribution of company profits to shareholders. Signaling theory explains that dividend payments can provide positive signals regarding company performance and future prospects. A stable dividend policy may increase investor trust and strengthen firm value. Research by Kohar and Akramunnas as well as Rai Prastuti and Merta Sudiarta (2016) explained that dividend policy contributes significantly to firm value because investors often interpret dividends as indicators of financial stability and profitability.

Inflation represents a macroeconomic factor that may affect company performance and investment decisions. Rising inflation can reduce purchasing power, increase operational costs, and influence interest rates, thereby affecting

profitability and company value. However, the impact of inflation may vary across sectors depending on the company's financial management capabilities and market conditions. Tanjung et al. (2022) emphasized that inflation may indirectly influence firm value through changes in profitability and operational efficiency.

Profitability acts as an intervening variable because it can mediate the relationship between financial policies and firm value. Companies with strong profitability tend to attract investors more easily because higher profits indicate better financial performance and future growth potential. Several studies have shown that profitability can strengthen or weaken the influence of capital structure and dividend policy on firm value (Maulida, 2019; Telaumbanua et al., 2021).

2.2 Review of Empirical Studies

Previous empirical studies have investigated the relationship between capital structure, dividend policy, profitability, inflation, and firm value across different industrial sectors. Hamidy et al. (2015) found that capital structure significantly affects firm value through profitability in property and real estate companies listed on the Indonesia Stock Exchange. The study emphasized that profitability plays an important mediating role in increasing investor confidence.

Research conducted by Amelia and Anhar (2019) also showed that capital structure and company growth significantly influence firm value through profitability. Their findings indicated that companies with effective financial management tend to generate higher profitability, which subsequently increases firm value. Similar findings were reported by Yudha et al. (2022), who concluded that liquidity, company growth, and company size affect firm value with profitability serving as an intervening variable.

Several studies specifically examined the role of dividend policy in determining firm value. Kohar and Akramunnas explained that dividend policy positively influences firm value because dividend distribution provides positive signals to investors regarding company stability and future performance. Rai Prastuti and Merta Sudiarta (2016) also found that dividend policy and capital structure significantly influence firm value in manufacturing companies.

Meanwhile, Tanjung et al. (2022) investigated the influence of capital structure, dividend policy, investment decisions, and inflation on firm value with profitability as an intervening variable. Their results showed that inflation did not significantly affect firm value directly, although profitability remained an important factor in mediating financial performance and investor perceptions. Similar findings were identified by Andriansyah et al. (2023), who stated that financial leverage affects firm value through profitability.

Despite these findings, inconsistencies remain regarding the role of profitability as an intervening variable. Some studies demonstrated significant mediation effects, while others reported insignificant indirect relationships. In addition, most previous studies focused on manufacturing, property, or plantation sectors, whereas empirical evidence from the banking sector remains relatively limited.

2.3 Identification of the Research Gap

Based on the synthesis of previous studies, several research gaps can be identified. First, prior studies produced inconsistent findings regarding the influence of capital structure, dividend policy, and inflation on firm value through profitability. Some studies reported significant indirect effects, whereas others found no mediating relationship.

Second, many previous studies focused on manufacturing, property, infrastructure, and plantation sectors, while limited studies specifically investigated banking companies listed on the Indonesia Stock Exchange. The banking sector possesses unique financial characteristics because its operations are highly influenced by financial regulations, interest rates, and macroeconomic conditions.

Third, the integration of internal financial factors such as capital structure and dividend policy with external macroeconomic factors such as inflation remains insufficiently explored within a single research framework. Therefore, this study attempts to provide a more comprehensive understanding of how these variables interact in influencing firm value through profitability.

Accordingly, this study contributes to the literature by examining the direct and indirect relationships among capital structure, dividend policy, inflation, profitability, and firm value within

the Indonesian banking sector during the 2019–2023 period.

2.4 Development of the Conceptual Framework

This study examines the relationships among capital structure, dividend policy, inflation, profitability, and firm value. Capital structure is positioned as an independent variable because financing decisions influence company operational performance and profitability. Companies with effective capital management are expected to improve profitability and increase firm value.

Dividend policy is also treated as an independent variable because dividend distribution reflects management confidence regarding company performance. Stable dividend payments may encourage positive investor perceptions and strengthen firm value. Inflation is included as an external macroeconomic variable because changes in inflation rates may affect operational costs, purchasing power, and financial performance.

Profitability functions as an intervening variable measured using Return on Assets (ROA). Higher profitability indicates effective asset management and stronger financial performance, which may subsequently increase firm value measured by Price to Book Value (PBV).

This study does not explicitly present a visual conceptual framework in the article. However, the conceptual relationships are reflected through the direct and indirect testing of capital structure, dividend policy, and inflation on firm value with profitability as the intervening variable.

2.5 Hypotheses or Research Propositions

Based on the theoretical foundations and empirical findings, the hypotheses of this study are formulated as follows:

H1: Capital structure has a significant effect on profitability.

H2: Dividend policy has a significant effect on profitability.

H3: Inflation has a significant effect on profitability.

H4: Capital structure has a significant effect on firm value.

H5: Dividend policy has a significant effect on firm value.

H6: Inflation has a significant effect on firm value.

H7: Profitability has a significant effect on firm value.

H8: Capital structure affects firm value through profitability.

H9: Dividend policy affects firm value through profitability.

H10: Inflation affects firm value through profitability.

3. Research Methods

3.1 Research Design

This study used a quantitative research design. Quantitative research is a method that utilizes numerical data and statistical analysis to explain relationships among variables and test hypotheses. The quantitative approach was selected because the study aimed to analyze the influence of capital structure, dividend policy, and inflation on firm value, both directly and indirectly through profitability as an intervening variable. The research design provided a systematic framework for collecting, processing, and analyzing data objectively in order to generate reliable and measurable findings.

3.2 Research Context and Setting

The research was conducted in the banking sector, focusing on banking companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The banking sector was selected because it plays a significant role in the Indonesian economy and is highly influenced by financial performance, dividend policies, and macroeconomic conditions such as inflation. The use of publicly listed banking companies also ensured the availability and accessibility of financial reports required for the study.

3.3 Population and Sample / Research Participants

The population in this study consisted of all banking companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period, totaling 47 companies.

The sample was determined using purposive sampling techniques based on several criteria, namely:

- a. Banking companies listed on the Indonesia Stock Exchange during the 2019–2023 period.
- b. Banking companies that consistently published annual reports and financial reports on the IDX during the observation period.

- c. Companies reporting financial statements in Indonesian Rupiah.
- d. Companies that experienced profit growth and reported positive profits during the research period.

The purposive sampling method was applied to ensure that the selected companies met the research requirements and provided relevant data for analysis.

3.4 Data Sources and Data Collection

This study used secondary data obtained from the annual reports and financial statements of banking companies listed on the Indonesia Stock Exchange (IDX). The data were collected through documentation techniques by accessing financial reports published on the official IDX website and company reports during the 2019–2023 period.

The collected data included information related to capital structure, dividend policy, inflation, profitability, and firm value. The use of secondary data allowed the researcher to obtain objective and measurable information relevant to the research objectives.

3.5 Measurement of Variables and Research Instruments

This study consisted of independent variables, dependent variables, and an intervening variable.

The independent variables included:

- a. Capital Structure (X1)
- b. Dividend Policy (X2)
- c. Inflation (X3)

According to Sugiyono (2019:61), an independent variable is a variable that influences or causes changes in the dependent variable.

The dependent variable in this study was firm value. Sugiyono (2019:69) explained that the dependent variable is a variable influenced by independent variables and often referred to as the output or consequence variable. Firm value in this study was measured using the Price to Book Value (PBV) ratio.

The intervening variable in this study was profitability, measured using Return on Assets (ROA). Sugiyono (2019:39) defined an intervening variable as a variable that theoretically mediates the relationship between independent and dependent variables, creating an indirect relationship that may

not be directly observable.

3.6 Data Analysis Techniques

The data analysis techniques used in this study included descriptive analysis and verification analysis.

3.6.1 Descriptive Analysis

Descriptive analysis was used to describe and explain the characteristics of the data through statistical measures such as minimum values, maximum values, averages, and standard deviations. According to Sugiyono (2017:147), descriptive analysis is a data analysis technique used to describe data generally through statistical calculations. Ghozali (2015) also stated that descriptive analysis is a systematic process of collecting, processing, and analyzing data which are then presented descriptively.

3.6.2 Verification Analysis

Verification analysis was conducted to test and prove the truth of previously formulated hypotheses. According to Sugiyono (2013:6), the verification method is a research method used to test hypotheses through statistical calculations in order to determine whether the proposed hypotheses are accepted or rejected. This analysis was applied to examine the influence of capital structure, dividend policy, and inflation on firm value with profitability as an intervening variable.

3.7 Validity, Reliability, and Trustworthiness

To ensure the quality and accuracy of the research findings, the study utilized financial data obtained from official and publicly accessible company reports published by the Indonesia Stock Exchange (IDX). The use of audited financial statements increased the reliability and validity of the data. In addition, the data analysis procedures were conducted systematically using statistical techniques to ensure consistency and accuracy in hypothesis testing.

3.8 Ethical Considerations

This study used secondary data obtained from publicly available financial reports and annual reports of banking companies listed on the Indonesia Stock Exchange (IDX). Therefore, the study did not involve direct interaction with human

participants. All data were used solely for academic purposes while maintaining objectivity, transparency, and academic integrity throughout the research process.

3.9 Research Procedure

The research procedure in this study was conducted through several stages. First, the researcher identified the research problem and formulated the research objectives and hypotheses. Second, the researcher collected secondary data from annual reports and financial statements of banking companies listed on the IDX during the 2019–2023 period. Third, the collected data were classified and processed according to the research variables. Fourth, statistical analysis was conducted using descriptive and verification analysis methods. Finally, the results of the analysis were interpreted to draw conclusions and provide recommendations based on the research findings.

3.10 Methodological Limitations

This study has several methodological limitations. First, the research focused only on banking companies listed on the Indonesia Stock Exchange, limiting the generalizability of the findings to other sectors. Second, the study relied solely on secondary data obtained from published financial reports, which restricted the analysis to available information. Third, the observation period was limited to 2019–2023, meaning that changes occurring outside this period were not captured in the analysis. Despite these limitations, the study provides relevant insights into the relationship between capital structure, dividend policy, inflation, profitability, and firm value in the banking sector.

4. Results and Discussion

4.1 Research Results

4.1.1 Sample Description and Descriptive Statistics

This study used secondary data obtained from the official website of the Indonesia Stock Exchange. The research sample consisted of 35 banking companies listed on the Indonesia Stock Exchange during the 2019–2023 period. With five years of observation, the total number of observations used in this study was 175 observations.

Table 1. Research Sample Description

Description	Total
Banking companies listed on IDX	35
Observation period	2019–2023
Total years of observation	5 Years
Total observations	175

Source: Processed research data (2026)

4.1.2 Data Quality and Preliminary Analysis

This study did not specifically conduct additional preliminary analyses such as normality tests, multicollinearity tests, reliability tests, or model fit tests. The analysis focused on multiple linear regression using SPSS version 25 to examine the direct and indirect effects among variables. The research data were obtained from secondary data sources in the form of financial reports of banking companies listed on the Indonesia Stock Exchange

Table 2. Regression Results of Model 1

Variable	Significance Value	Criteria	Result
Capital Structure (X1) → Profitability (Z)	0.006	< 0.05	Significant
Dividend Policy (X2) → Profitability (Z)	0.000	< 0.05	Significant
Inflation (X3) → Profitability (Z)	0.103	> 0.05	Not Significant

Source: Processed SPSS Output (2026)

The results indicate that capital structure significantly influences profitability, therefore H_0 is rejected and H_a is accepted. Dividend policy also has a significant influence on profitability, therefore H_0 is rejected and H_a is accepted. Meanwhile, inflation does not significantly influence profitability, therefore H_0 is accepted and H_a is

Table 3. Regression Results of Model 2

Variable	Significance Value	Criteria	Result
Profitability (Z) → Company Value (Y)	0.023	< 0.05	Significant
Capital Structure (X1) → Company Value (Y)	0.009	< 0.05	Significant
Dividend Policy (X2) → Company Value (Y)	0.003	< 0.05	Significant
Inflation (X3) → Company Value (Y)	0.176	> 0.05	Not Significant

Source: Processed SPSS Output (2026)

The results indicate that profitability has a significant influence on company value, therefore H_0 is rejected and H_a is accepted. Capital structure also significantly influences company value, therefore H_0 is rejected and H_a is accepted. Dividend policy significantly influences company value, therefore H_0 is rejected and H_a is accepted. However, inflation does not significantly influence company value, therefore H_0 is accepted and H_a is rejected.

4.1.4 Hypothesis Testing Results

during the 2019–2023 period, which were considered suitable for further statistical analysis.

4.1.3 Main Analytical Results

The analysis in this study employed multiple linear regression using SPSS version 25. The study used two regression equation models. Model 1 examined the influence of capital structure, dividend policy, and inflation on profitability. Model 2 examined the influence of capital structure, dividend policy, inflation, and profitability on company value.

a. Model 1 Results

Model 1 analyzed the effect of capital structure, dividend policy, and inflation on profitability.

rejected.

b. Model 2 Results

Model 2 analyzed the effect of profitability, capital structure, dividend policy, and inflation on company value.

The indirect effect analysis was conducted to determine the mediating role of profitability in the relationship between capital structure, dividend policy, inflation, and company value.

Table 4. Indirect Effect Testing Results

Relationship	Direct Effect	Indirect Effect	Result
Capital Structure (X1) → Company Value (Y) through Profitability (Z)	0.230	0.098	No Indirect Effect
Dividend Policy (X2) → Company Value (Y) through Profitability (Z)	0.323	0.072	No Indirect Effect
Inflation (X3) → Company Value (Y) through Profitability (Z)	0.264	0.158	No Indirect Effect

Source: Processed research data (2026)

The findings indicate that the direct effects are greater than the indirect effects in all relationships. Therefore, profitability does not

mediate the relationship between capital structure, dividend policy, inflation, and company value.

Table 5. Summary of Hypothesis Testing Results

Hypothesis	Statement	Result
H1	Capital structure influences profitability	Accepted
H2	Dividend policy influences profitability	Accepted
H3	Inflation influences profitability	Rejected
H4	Capital structure influences company value	Accepted
H5	Dividend policy influences company value	Accepted
H6	Inflation influences company value	Rejected
H7	Profitability influences company value	Accepted
H8	Capital structure influences company value through profitability	Rejected
H9	Dividend policy influences company value through profitability	Rejected
H10	Inflation influences company value through profitability	Rejected

Source: Processed research data (2026)

4.1.5 Visual Presentation of Results

The research findings are presented through several tables to improve clarity and readability of the analysis results. Table 1 presents the research sample description, while Table 2 and Table 3 present the regression results of Model 1 and Model 2. Furthermore, Table 4 presents the indirect effect testing results, and Table 5 summarizes the hypothesis testing results.

4.2 Research Discussion

4.1.5 Interpretation of Key Findings

The results indicate that capital structure significantly influences profitability. This finding shows that banking companies are able to optimize the use of debt to improve profitability performance. Effective capital structure management contributes positively to the company's operational performance and financial returns.

Dividend policy also has a significant influence on profitability. This indicates that companies distributing dividends consistently tend

to have stable earnings and good financial performance. Dividend distribution reflects the company's ability to generate profits and maintain investor confidence.

On the other hand, inflation does not significantly influence profitability. This finding suggests that banking companies are relatively capable of adapting to inflationary conditions through financial management and operational adjustments, thereby minimizing the impact of inflation on profitability.

The results further reveal that capital structure and dividend policy significantly influence company value. This means that investors consider financing decisions and dividend distributions as important indicators in assessing company performance and market value. Profitability also significantly influences company value, indicating that higher profitability increases investor confidence and enhances firm valuation.

However, profitability was unable to mediate the relationship between capital structure, dividend policy, inflation, and company value. The direct

effects were greater than the indirect effects, indicating that the independent variables influence company value more directly rather than through profitability.

4.2.2 Comparison with Previous Studies

The findings of this study are consistent with previous studies stating that capital structure positively affects profitability and company value. The results also support prior research explaining that dividend policy has a significant influence on both profitability and firm value because dividend payments signal financial stability and good company performance to investors.

Meanwhile, the finding that inflation does not significantly influence profitability and company value differs from several previous studies that found inflation negatively affects corporate performance. This difference may occur because banking companies possess stronger adaptability to macroeconomic fluctuations compared to companies in other sectors.

Furthermore, the finding that profitability does not mediate the relationship between the independent variables and company value also differs from several earlier studies. This suggests that investors in the banking sector may respond more strongly to direct financial policies rather than indirect profitability effects.

4.2.3 Theoretical Contributions

This study contributes to financial management theory by confirming the importance of capital structure and dividend policy in influencing profitability and company value. The findings strengthen signaling theory, which explains that dividend distribution and financing decisions provide important signals to investors regarding company performance and future prospects.

Additionally, this study contributes to the literature regarding the limited role of profitability as an intervening variable in the banking sector. The results indicate that company value can be influenced directly by financial decisions without necessarily passing through profitability mechanisms.

4.2.4 Practical and Policy Implications

The findings provide practical implications for company management, particularly in the

banking sector, to maintain optimal capital structure policies and consistent dividend policies in order to increase company value. Managers should focus on financing strategies and investor-oriented policies to strengthen market confidence.

For investors, the findings provide useful insights regarding the importance of evaluating capital structure and dividend policy when making investment decisions in banking companies. Investors may consider these factors as indicators of corporate stability and long-term growth prospects.

For policymakers, the findings imply the importance of maintaining macroeconomic stability, particularly inflation control, although inflation was not found to significantly influence company value and profitability in this study.

4.2.5 Integration with the Research Gap

This study addresses the research gap regarding the inconsistent findings related to the role of profitability as an intervening variable in the relationship between capital structure, dividend policy, inflation, and company value. The findings demonstrate that profitability does not mediate these relationships in banking companies listed on the Indonesia Stock Exchange during 2019–2023.

Thus, this study contributes originality by providing empirical evidence from the Indonesian banking sector and extending understanding regarding the direct and indirect effects of financial policies on company value.

4.2.6 Acknowledgement of Study Limitations

This study has several limitations. First, the study only focuses on banking companies listed on the Indonesia Stock Exchange, limiting the generalizability of the findings to other sectors. Second, the observation period was limited to 2019–2023, which may not fully capture long-term economic dynamics. Third, the study only used capital structure, dividend policy, inflation, and profitability variables, while other factors potentially influencing company value were not included in the analysis.

5. Conclusion

5.1 Summary of Key Findings

The results of this study indicate that capital structure and dividend policy have a significant

effect on profitability, while inflation does not significantly affect profitability. Furthermore, capital structure, dividend policy, and profitability significantly influence company value, whereas inflation does not significantly affect company value.

The findings also reveal that profitability is unable to mediate the relationship between capital structure, dividend policy, inflation, and company value. The direct effects of the independent variables on company value were greater than the indirect effects through profitability, indicating that the variables influence company value directly rather than indirectly through profitability.

5.2 Theoretical Contributions

This study contributes to financial management and signaling theory by confirming that capital structure and dividend policy are important determinants of profitability and company value. The findings strengthen the argument that financing decisions and dividend distributions provide positive signals to investors regarding company performance and financial stability.

In addition, this study contributes to the existing literature by showing that profitability does not function as an intervening variable in the relationship between capital structure, dividend policy, inflation, and company value in the banking sector. This finding provides additional empirical evidence regarding the direct influence of financial policies on firm value.

5.3 Practical and Policy Implications

The findings of this study provide practical implications for company management, particularly in the banking sector, to maintain effective capital structure management and consistent dividend policies in order to improve company value and investor confidence.

For investors, the study provides useful information in evaluating banking companies based on their financing decisions, dividend policies, and profitability performance. Meanwhile, policymakers are encouraged to maintain economic stability, especially related to inflation control, to support sustainable business performance in the financial sector.

5.4 Limitations of the Study

This study has several limitations. First, the research only focused on banking companies listed on the Indonesia Stock Exchange, which limits the generalizability of the findings to other sectors. Second, the study only covered the 2019–2023 period, which may not fully represent long-term economic conditions. Third, the study only used capital structure, dividend policy, inflation, and profitability variables, while other variables that may influence company value were not included in the analysis.

5.5 Directions for Future Research

Future research is recommended to expand the research scope by including companies from different sectors and extending the observation period to obtain broader findings. Further studies are also encouraged to incorporate additional variables such as liquidity, firm size, corporate governance, or macroeconomic factors to provide a more comprehensive explanation of company value.

In addition, future researchers may apply alternative analytical methods, such as Structural Equation Modeling (SEM) or panel data analysis, to obtain deeper insights into the relationships among variables and the mediating effects within different research contexts.

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