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The Influence of Dividend Policy and Profitability on the Firm Value of Banking Companies Listed on the Indonesia Stock Exchange (IDX)

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ABSTRACT

Firm value reflects investors' perceptions of a company's performance and prospects, making it an important indicator in the banking sector. Dividend policy and profitability are potential determinants of firm value, although their individual and combined effects require further examination in the context of Indonesian state-owned banks. This study aimed to analyze the effects of dividend policy and profitability on firm value in banking companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. A quantitative approach was employed using secondary data obtained from the financial statements of three state-owned banks: PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, and PT Bank Mandiri (Persero) Tbk. Firm value was measured using the Price to Book Value (PBV) ratio, dividend policy using the Dividend Payout Ratio (DPR), and profitability using Return on Equity (ROE). The data were analyzed using multiple linear regression, classical assumption tests, and hypothesis testing with SPSS version 26. The results showed that dividend policy had no statistically significant partial effect on firm value, whereas profitability had a significant positive partial effect. Simultaneously, dividend policy and profitability had a significant effect on firm value. These findings highlight profitability as an important indicator that investors consider when evaluating banking companies. This study contributes to the understanding of firm value determinants in the Indonesian banking sector and suggests that banking management should prioritize sustainable profitability while considering dividend policy as part of its broader financial strategy.

1. Introduction

Firm value is an important indicator of investors' perceptions of a company's financial performance, resource management, and future prospects. In the banking sector, firm value is particularly significant because banks play a strategic role in financial intermediation and national economic development. Maintaining firm value requires effective financial management, particularly in determining dividend distributions and generating sustainable profits. Dividend policy and profitability are therefore important financial factors that may influence investors' assessments of banking companies. However, the extent to which these factors affect firm value may vary depending on corporate financial conditions and investor expectations (Nugrahanti, 2019).

Dividend policy concerns management's decisions regarding the distribution of earnings to shareholders or the retention of profits for reinvestment. Husnan (2013) explains that dividend policy involves determining whether a company distributes its earnings or retains them to support future operations and investment. As an integral part of corporate financing decisions, dividend policy reflects management's approach to balancing shareholders' current returns with the company's future growth opportunities. Retaining a larger proportion of earnings generally reduces the amount available for dividend distribution, whereas distributing a larger proportion provides shareholders with greater immediate returns. An optimal dividend policy must therefore balance investors' preferences for current dividends with their expectations of future growth, ultimately supporting the maximization of firm value, which can be reflected in share prices. In this context, retained earnings represent an important

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consideration in dividend policy decisions (Harjito, 2012).

Dividend policy in this study is measured using the Dividend Payout Ratio (DPR), which represents the proportion of net income distributed to shareholders as dividends. A higher DPR may signal management's confidence in the company's financial performance and prospects, potentially strengthening investor confidence. Nevertheless, distributing a substantial proportion of earnings may limit the funds available for business expansion and other investment opportunities. In the banking sector, dividend decisions must also consider liquidity requirements, capital adequacy, and applicable regulatory provisions. Consequently, banks must balance shareholder expectations with the need to maintain financial stability and support sustainable business operations. These considerations make dividend policy an important factor to examine when assessing the value of banking companies (Nugrahanti, 2019; Umbung et al., 2021).

In addition to dividend policy, profitability is another important determinant of firm value. Profitability reflects a company's ability to generate earnings through its business activities and the effective utilization of available resources. This study measures profitability using Return on Equity (ROE), which indicates the extent to which shareholders' equity generates net income. Higher profitability may signal effective financial management and the company's capacity to generate returns from invested capital. These conditions can strengthen stakeholder confidence, including that of suppliers, creditors, and investors. Profitability provides an indication of a company's financial performance and its ability to generate profits. Furthermore, profitability is frequently used by investors to evaluate corporate performance and determine a company's value. Nevertheless, the relationship between profitability and firm value also depends on how investors interpret financial performance and its implications for future growth (Wijaya & Sedana, 2015).

In Indonesia, the banking industry experienced substantial development between 2010 and 2022, although dividend distributions and profitability levels fluctuated over time. Such fluctuations may affect investor perceptions and subsequently influence firm value, particularly through changes in banking share prices on the Indonesia Stock Exchange (IDX) (Nugrahanti, 2019). These conditions highlight the importance of examining dividend policy and profitability in the context of Indonesian banking companies. The relationship between these variables is particularly relevant because banks must maintain an appropriate balance between distributing earnings to shareholders, retaining capital for future growth, and generating sustainable returns.

The financial performance of three state-owned banks provides a relevant context for examining these relationships. Based on secondary data obtained from the banks' financial reports and respective websites in 2025, PT Bank Negara Indonesia (Persero) Tbk recorded an increase in net profit from IDR 3.280 trillion in 2020 to IDR 21.46 trillion in 2024. Its share price fluctuated during the observation period, reaching its highest reported level of IDR 9,225 per share in 2022, while cash dividends increased, particularly in 2024, when the reported distribution reached IDR 10.454 billion. PT Bank Rakyat Indonesia (Persero) Tbk also experienced an increase in net profit, from IDR 18.66 trillion in 2020 to IDR 60.64 trillion in 2024. Its cash dividends rose from IDR 12.125 billion in 2020 to IDR 51.730 billion in 2024, while its share price declined slightly to IDR 4,080 per share in 2024. Similarly, PT Bank Mandiri (Persero) Tbk recorded an increase in net profit from IDR 18.40 trillion in 2020 to IDR 61.17 trillion in 2024. Its cash dividend distributions varied, with a reported increase to IDR 43.51 billion in 2024, while its share price reached a high of IDR 9,925 per share in 2022 before declining to IDR 5,700 in 2024. These developments illustrate that increases in profitability and dividend distributions do not necessarily coincide with consistent share price movements, reinforcing the importance of examining the factors associated with firm value. The underlying financial data are presented in Table 1, which summarizes net profit, equity, cash dividends, share prices, and the number of outstanding shares.

Previous empirical studies have reported inconsistent findings regarding the effects of dividend policy and profitability on firm value. Nugrahanti (2019) and Liswati et al. (2020) found that profitability and dividend policy had positive and significant effects on firm value. In contrast, Widyawati (2021) reported that profitability could

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negatively affect firm value. These differences suggest that the relationships between dividend policy, profitability, and firm value are not uniform across research settings. The inconsistent findings create an empirical gap that warrants further investigation, particularly in the Indonesian banking sector. Moreover, examining the 2020–2024 period provides an opportunity to assess these relationships using more recent financial data from three major state-owned banks listed on the IDX.

Based on this research gap, the present study aims to analyze the effects of dividend policy and profitability on firm value in Indonesian banking companies listed on the IDX during the 2020–2024 period. Specifically, it examines whether dividend policy, measured by the DPR, and profitability, measured by ROE, individually and jointly influence firm value, measured by Price to Book Value (PBV). The study addresses the research problem by evaluating the partial and simultaneous effects of these two financial variables using data from PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, and PT Bank Mandiri (Persero) Tbk.

Theoretically, this study contributes to the empirical understanding of the relationship between dividend policy, profitability, and firm value in the Indonesian banking context by examining previously reported inconsistent findings using data from the 2020–2024 period. Practically, the findings are expected to provide information for bank management in evaluating dividend distribution and profitability strategies, as well as for investors in assessing banking companies' financial performance and market value. The study's contribution lies in examining the individual and combined effects of dividend policy and profitability within a defined observation period and sector-specific setting, thereby providing evidence that may help inform financial decision-making among relevant stakeholders.

2. Literature Review

2.1. Conceptual and Theoretical Foundations

2.1.1. Banking Companies

Banks are financial institutions that play an essential role in supporting economic activities through financial intermediation. Kasmir (2014) defines a bank as a financial institution whose primary activities involve collecting funds from the public in the form of deposits and redistributing these funds through loans or other financial services to improve community welfare. In their intermediary role, banks connect parties with surplus funds to parties requiring financing. Banks can be classified into commercial banks and rural credit banks based on their business activities and authorization to provide payment services. This study focuses on three state-owned commercial banks listed on the Indonesia Stock Exchange (IDX): PT Bank Mandiri (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, and PT Bank Negara Indonesia (Persero) Tbk. These institutions provide a relevant context for examining how dividend policy and profitability relate to firm value in the Indonesian banking sector.

2.1.2. Dividend Policy

Dividend policy refers to management's decisions regarding the proportion of earnings distributed to shareholders and the proportion retained to finance future investment and business growth. A company must balance shareholders' expectations for dividend income with its need to retain earnings for operational development. A higher dividend distribution may provide immediate returns to shareholders but reduce the funds available for reinvestment. Conversely, retaining a larger proportion of earnings may support future growth while reducing current dividend payments (Riyanto, 2001, p. 266).

Al-Malkawi et al. (2020) explain that a stable dividend policy can contribute to firm value by strengthening investor confidence and making a company more attractive to investors. However, the relationship between dividend policy and firm value depends on the balance between dividend payments, investment opportunities, and the company's financial requirements. Consequently, dividend policy represents an important financial decision that may influence investors' assessments of a company.

In this study, dividend policy is measured using the Dividend Payout Ratio (DPR), which represents the percentage of earnings distributed to shareholders as dividends. The DPR is calculated by dividing dividends per share by earnings per share and multiplying the result by 100% (Shiyammurti, 2024).

$$DPR = \frac{DPS(dividend\ pershare)}{EPS\ (earning\ pershare)} X100\%$$

$$DPS = \frac{dividend}{number\ of\ shares\ outstanding}$$

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$$EPS=\frac{net\ profit}{number\ of\ shares\ outstanding}$$

Source: (Shiyammurti, 2024)

The DPR provides an indication of how a company allocates its earnings between shareholder distributions and retained profits. In banking companies, this ratio is particularly relevant because dividend decisions must be considered alongside capital requirements, liquidity, and opportunities for sustainable business expansion.

2.1.3. Profitability

Profitability refers to a company's ability to generate earnings through the effective utilization of its financial resources. Profitability ratios are used to assess financial performance over a particular period and may be calculated using information related to sales, assets, or equity. That profitability ratios measure a company's ability to generate profits through the utilization of its resources, including assets, capital, and sales.

This study measures profitability using Return on Equity (ROE), which indicates the ability of a company to generate net income from shareholders' equity. Muhani et al. (2022) describe ROE as a profitability measure that reflects a company's ability to manage its capital to generate net income. Similarly, Hery (2016) explains that ROE indicates the contribution of equity to net income, with a higher ratio reflecting greater earnings generated from each unit of equity invested.

ROE is calculated using the following formula (Shiyammurti, 2024):

$$ROE = \frac{Net\ profit}{total\ equity}$$

Source: (Shiyammurti, 2024)

ROE is relevant to banking companies because it provides information about management's effectiveness in utilizing shareholders' capital to generate profits. Higher profitability may indicate stronger financial performance and improve investors' expectations regarding future returns. Nevertheless, the implications of profitability for firm value depend on how investors interpret the company's financial performance and growth prospects.

2.1.4. Firm Value

Firm value represents the market's assessment of a company's performance, financial condition, and future prospects. Harmono (2014) explains that firm value is reflected in stock prices determined by supply and demand in the capital market, thereby representing public assessments of corporate performance. Fahmi (2012) describes firm value as a ratio that reflects conditions in the market, firm value with the level of public confidence established through a company's operational activities over time. Franita (2018) further explains that firm value is related to investment opportunities, particularly when measured through stock market indicators, because expectations of future growth can contribute to higher market valuations.

In this study, firm value is measured using the Price to Book Value (PBV) ratio. PBV compares a company's market value per share with its book value per share, enabling investors to assess how the market values the company relative to its accounting equity. That PBV allows investors to compare market value with book value, providing information that complements the assessment of a stock's underlying value. Comparisons using PBV are most meaningful when the companies being compared operate in similar industries and have comparable business characteristics.

Sawir (2000, p. 22) states that PBV reflects the financial market's assessment of a company's management and organizational performance. A company with effective management and a well-functioning organizational structure may be valued favorably by the market. Accordingly, PBV is an appropriate measure for examining how dividend policy and profitability relate to the market valuation of banking companies.

The PBV ratio is calculated as follows (Hery, 2016):

$$PBV = \frac{Market\ value}{Book\ Value}$$

Book value per share is calculated using the following formula (Hery, 2016):

$$book\ value = \frac{total\ equity}{number\ of\ shares\ outstanding}$$

Source: (Hery, 2016)

A higher PBV indicates that the market values a company's shares at a higher multiple of their book value. Therefore, PBV provides an indicator of investor perceptions regarding a company's performance and prospects.

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2.2. Review of Empirical Studies

2.2.1. The Effect of Dividend Policy on Firm Value

Dividend policy may influence firm value by affecting shareholder returns and investor perceptions of a company's financial condition. Dividends as a portion of company profits distributed to shareholders in recognition of their investment. Mehrani et al. (2011) similarly emphasize that dividend payments contribute to shareholder welfare and have implications for firm value. These perspectives suggest that dividend distributions are an important consideration in investors' assessments of corporate performance.

Nugrahanti (2019) indicates that consistent dividend payments, particularly when accompanied by increases in distributions, can generate positive investor sentiment. Such responses may increase demand for a company's shares and consequently influence its market value. Hidayat (2013) and Wijaya (2010) also identify dividend policy as a factor associated with firm value.

Nevertheless, the relationship between dividend policy and firm value is not necessarily uniform. Although dividend payments may signal financial strength and provide immediate shareholder returns, distributing a large proportion of earnings may reduce retained funds available for investment. This trade-off is particularly relevant for banks, which must balance shareholder distributions with capital requirements and business expansion. Therefore, the effect of dividend policy on firm value remains an empirical question that requires testing in the context of Indonesian banking companies.

2.2.2. The Effect of Profitability on Firm Value

Profitability reflects a company's ability to generate earnings and provides information about management's effectiveness in utilizing available resources. Companies that achieve higher profitability may be perceived as having stronger financial performance and more favorable future prospects. These perceptions can strengthen investor confidence and contribute to higher share prices, potentially increasing firm value.

Martikarini (2011) and Hermuningsih (2012) found that profitability influences firm value. Their findings support the argument that a company's ability to generate profits is relevant to market valuation. When profitability increases, investors may interpret the improvement as evidence of effective management and stronger prospects for future returns.

However, the relationship is not consistently positive across previous studies. Herawati (2011) found that profitability negatively affected firm value, indicating that higher profitability does not always translate into a higher market valuation. These contrasting findings suggest that investors' responses to profitability may depend on the financial and market context in which a company operates. Accordingly, the relationship between profitability and firm value warrants further examination among banking companies listed on the IDX.

2.2.3. The Joint Effect of Dividend Policy and Profitability on Firm Value

Dividend policy and profitability represent complementary aspects of corporate financial performance. Dividend policy concerns how earnings are allocated between shareholder distributions and retained profits, whereas profitability reflects the company's ability to generate earnings from its available capital. Considered together, these variables provide a broader perspective on financial management and the factors that may influence investor assessments.

Dividends represent the distribution of company profits to shareholders, while Mehrani et al. (2011) emphasize the relevance of dividend payments to shareholder welfare and firm value. A consistent dividend policy may strengthen investor confidence, while strong profitability may indicate effective resource utilization and the capacity to generate sustainable returns.

Empirical evidence also indicates that profitability can influence firm value, although the direction of the relationship is not universally consistent. Martikarini (2011) and Hermuningsih (2012) reported findings supporting a positive relationship between profitability and firm value, whereas Herawati (2011) found a negative effect. These differences reinforce the need to examine profitability alongside dividend policy rather than assuming that either variable independently explains all variations in firm value.

In the banking sector, dividend distributions and profitability may jointly provide information about a bank's financial performance and its approach to allocating resources. This study therefore examines whether dividend policy and

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profitability simultaneously influence the firm value of the three selected state-owned banks listed on the IDX.

2.3. Identification of the Research Gap

The literature provides theoretical and empirical reasons to expect dividend policy and profitability to be associated with firm value. Dividend policy may influence investor perceptions through shareholder distributions and the allocation of retained earnings, while profitability may signal management effectiveness and the capacity to generate returns. Nevertheless, the direction and significance of these relationships remain uncertain because previous empirical findings are inconsistent.

Regarding dividend policy, previous studies have associated dividend distributions with firm value, but the potential trade-off between shareholder returns and retained earnings means that the relationship requires further empirical assessment. Regarding profitability, findings reported by Martikarini (2011) and Hermuningsih (2012) differ from those of Herawati (2011), demonstrating that profitability does not have a uniformly positive relationship with firm value across the cited studies.

These inconsistencies establish the empirical motivation for examining both variables in a specific sector and observation period. This study focuses on three state-owned banking companies listed on the IDX and uses financial data from 2020 to 2024. It investigates the partial effects of dividend policy and profitability and their simultaneous effect on firm value. The study consequently provides sector-specific evidence regarding the relationship between these financial indicators and market valuation in Indonesian banking.

2.4. Development of the Conceptual Framework

The conceptual framework explains the proposed relationships between dividend policy, profitability, and firm value. Dividend policy, represented by the Dividend Payout Ratio (DPR), serves as the first independent variable. Profitability, represented by Return on Equity (ROE), serves as the second independent variable. Firm value, represented by Price to Book Value (PBV), is the dependent variable.

The framework proposes that dividend policy may influence firm value through its implications for shareholder returns, retained earnings, and investor perceptions. Profitability may influence firm value through its indication of financial performance and the company's capacity to generate returns from shareholders' equity. In addition to examining these relationships individually, the study evaluates the simultaneous effect of dividend policy and profitability on firm value.

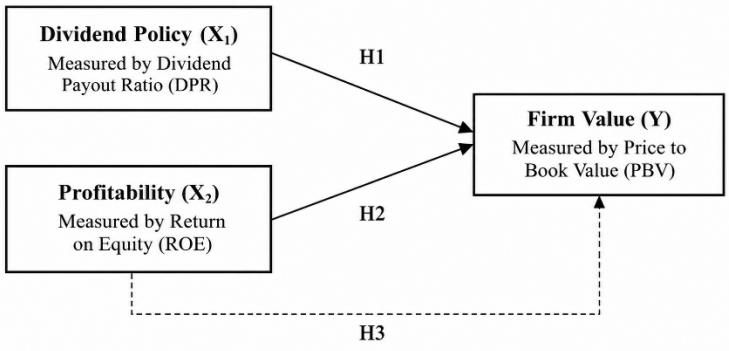


Fig. 1. Conceptual Framework of the Study

Note. X_1 = dividend policy; X_2 = profitability; Y = firm value. The framework represents the proposed partial relationships (H1 and H2) and the simultaneous relationship (H3).

2.5. Hypotheses Development

2.2.1. The Effect of Dividend Policy on Firm Value

Dividend policy may affect firm value by influencing shareholders' returns and investors' perceptions of corporate financial performance. Dividends are a portion of company profits distributed to shareholders, while Mehrani et al. (2011) emphasize their relevance to shareholder welfare and firm value. Consistent dividend payments may also generate positive investor sentiment and influence share prices (Nugrahanti, 2019). Hidayat (2013) and Wijaya (2010) likewise identify dividend policy as a factor influencing firm value. Although dividend distributions may reduce

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the funds available for reinvestment, the potential relationship between dividend policy and firm value warrants empirical testing in the Indonesian banking sector.

Based on this reasoning, the first hypothesis is formulated as follows:

H1: Dividend policy has a significant effect on the firm value of banking companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

2.5.2. The Effect of Profitability on Firm Value

Profitability indicates a company's ability to generate earnings from its available resources and shareholders' equity. Higher profitability may signal effective financial management and favorable business prospects, potentially strengthening investor confidence and increasing market valuation. Martikarini (2011) and Hermuningsih (2012) reported that profitability influences firm value, whereas Herawati (2011) found a negative effect. These differing findings indicate that the relationship requires further examination in the context of Indonesian banking companies. Given the expected relevance of profitability to investor assessments, this study tests whether profitability significantly affects firm value.

Accordingly, the second hypothesis is formulated as follows:

H2: Profitability has a significant effect on the firm value of banking companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

2.5.3. The Simultaneous Effect of Dividend Policy and Profitability on Firm Value

Dividend policy and profitability represent distinct but related dimensions of corporate financial management. Dividend policy reflects how earnings are distributed to shareholders, whereas profitability indicates the company's capacity to generate earnings from its capital. Dividend distributions may influence shareholder expectations and investor sentiment (Mehrani et al., 2011), while profitability may signal the company's financial performance and prospects. Previous studies have identified relationships between profitability and firm value, although their findings differ regarding the direction of the effect (Martikarini, 2011; Hermuningsih, 2012; Herawati, 2011).

Examining these variables simultaneously allows the study to assess whether dividend policy and profitability jointly explain variations in the firm value of the selected banking companies. Therefore, the third hypothesis is formulated as follows:

H3: Dividend policy and profitability simultaneously have a significant effect on the firm value of banking companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

3. Research Methods

3.1. Research Design

This study employed a quantitative approach to examine the effects of dividend policy and profitability on firm value. Quantitative research uses measurable data and statistical analysis to test relationships between variables (Sugiyono, 2019). The analysis was conducted using secondary financial data and multiple linear regression.

3.2. Research Context and Setting

The study focused on three state-owned banks listed on the Indonesia Stock Exchange (IDX): PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, and PT Bank Mandiri (Persero) Tbk. The observation period covered 2020–2024.

3.3. Population and Sample

The population comprised financial statements of banks listed on the IDX (Sugiyono, 2017). Purposive sampling was used to select banks that were listed on the IDX, had complete financial reports, and distributed dividends throughout the 2020–2024 period. Three banks met these criteria, resulting in 15 company-year observations (3 companies × 5 years).

3.4. Data Sources and Data Collection

Secondary data were obtained from annual reports, financial statements, and official websites of the selected banks and the IDX. Data were collected through documentation of financial reports and a literature review of relevant previous studies (Sugiyono, 2017). The data included net profit, total equity, cash dividends, share prices, and outstanding shares.

3.5. Measurement of Variables and Research Instruments

The research instrument was a structured

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table for recording financial data (Sugiyono, 2017). The variables were measured as follows:

a. Dividend policy (X_1): Dividend Payout Ratio (DPR), calculated as dividend per share divided by earnings per share, multiplied by 100% (Shiyammurti, 2024).
b. Profitability (X_2): Return on Equity (ROE), calculated as net profit divided by total equity, multiplied by 100% (Shiyammurti, 2024).
c. Firm value (Y): Price to Book Value (PBV), calculated as market price per share divided by book value per share, where book value per share equals total equity divided by outstanding shares (Hery, 2016).

3.6. Data Analysis Techniques

Data were analyzed using SPSS version 26. The procedures included:

a. Classical assumption tests: Normality was assessed using the Kolmogorov–Smirnov test, multicollinearity using tolerance and variance inflation factor (VIF), autocorrelation using the runs test, and heteroscedasticity using a residual scatterplot.
b. Multiple linear regression: The model was specified as:
   $Y = \alpha + \beta 1\ X1 + \beta 2\ X2 + e$
   where (Y) represents PBV, (X_1) represents DPR, and (X_2) represents ROE (Sugiyono, 2019).
c. Correlation analysis: The strength of relationships was interpreted using the correlation coefficient guidelines provided by Nananjaya (2023).
d. Coefficient of determination: (R^2) was used to assess the proportion of variation in firm value explained by the independent variables.
e. Hypothesis testing: The t-test assessed the partial effects of DPR and ROE, while the F-test assessed their simultaneous effect. A significance level of 0.05 was applied.

3.7. Validity, Reliability, and Trustworthiness

Data quality was supported by using published financial statements and applying consistent variable definitions and calculation formulas. Classical assumption tests were conducted to evaluate the suitability of the regression model. Separate instrument reliability tests were not reported because the study used secondary financial data rather than questionnaire responses.

3.8. Ethical Considerations

The study used publicly available corporate financial information and did not involve human participants or personal data collection. Data sources were identified to maintain academic integrity. Formal ethics approval was not specified in the original research description.

3.9. Research Procedure

The research proceeded through problem identification, literature review, sample selection, financial data collection, variable calculation, statistical analysis using SPSS version 26, and interpretation of the regression and hypothesis-testing results.

3.10. Methodological Limitations

The study was limited to three state-owned banks and 15 company-year observations during 2020–2024. The use of secondary data and a model containing only dividend policy and profitability may limit the generalizability of the findings. The observational design also does not independently establish causal relationships.

4. Results and Discussion

4.1. Research Results

4.1.1. Sample Description and Descriptive Statistics

The study analyzed 15 company-year observations from three state-owned banks listed on the Indonesia Stock Exchange (IDX) during 2020–2024: PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, and PT Bank Mandiri (Persero) Tbk. Dividend policy was measured using the Dividend Payout Ratio (DPR), profitability using Return on Equity (ROE), and firm value using Price to Book Value (PBV). The analysis was conducted using secondary financial data and SPSS version 26.

4.1.2. Data Quality and Preliminary Analysis

a. Normality Test

Table 1. One-Sample Kolmogorov–Smirnov Test

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Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.46751148
Most Extreme Differences	Absolute	.199
	Positive	.199
	Negative	-.136
Test Statistic		.199
Asymp. Sig. (2-tailed)		.112[c]

Source: SPSS Version 26 Output.

The Asymp. Sig. (2-tailed) value was .112, exceeding the .05 significance threshold. Therefore, the residuals met the normality criterion used in this study.

b. Multicollinearity Test

Table 2. Multicollinearity Test

No.	Independent Variable	Tolerance	VIF
1	Dividend Policy	.957	1.045
	Profitability	.957	1.045

Source: SPSS Version 26 Output.

The tolerance values for dividend policy and profitability were both .957, exceeding .10, while their VIF values were both 1.045, below 10. These results indicate that multicollinearity was not identified according to the criteria applied.

c. Autocorrelation Test

Table 3. Runs Test for Autocorrelation

Runs Test	Unstandardized Residual
Test Value[a]	-.10866
Cases < Test Value	7
Cases ≥ Test Value	8
Total Cases	15
Number of Runs	8
Z	.000
Asymp. Sig. (2-tailed)	1.000

[a] Median.

Source: SPSS Version 26 Output.

The Asymp. Sig. (2-tailed) value was 1.000, exceeding .05. According to the runs-test decision criterion used in this study, the residual sequence did not show a statistically significant non-random pattern.

d. Heteroscedasticity Test

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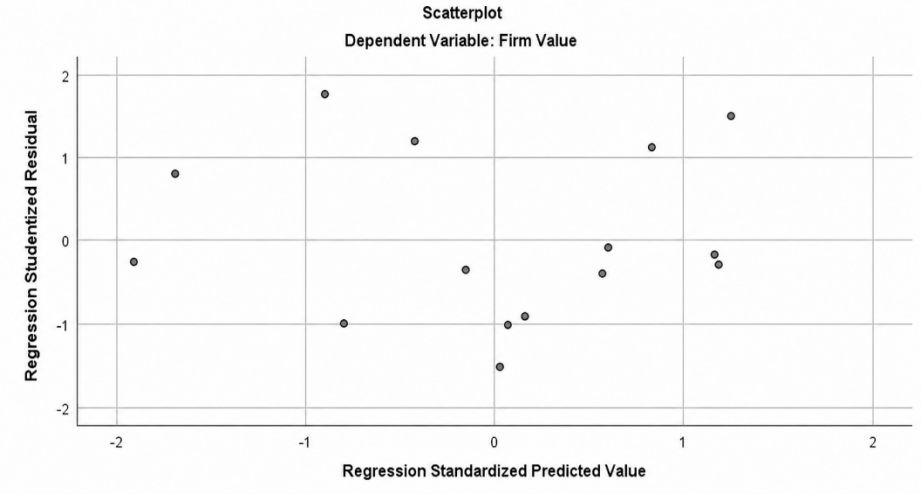


Fig. 2. Heteroscedasticity Test
Source: SPSS Version 26 Output.

The residual scatterplot showed points distributed above and below zero on the Y-axis without an apparent systematic pattern. This visual assessment indicated no apparent evidence of heteroscedasticity.

4.1.3. Main Analytical Results

a. Multiple Linear Regression Analysis

Table 4. Multiple Linear Regression Test

Model	Variable	B	Std. Error	Beta	t	Sig.
1	(Constant)	.954	.381	—	2.501	.028
	Dividend Policy	-3.189	.000	-.171	-.686	.505
	Profitability	.058	.027	.544	2.181	.050

Source: SPSS Version 26 Output.

Based on Table 6, the regression equation reported in the original analysis is:

$$Y=0.945-3.189X1+0.058X2$$

The constant coefficient reported in the table is .954. The dividend policy coefficient is -3.189, indicating a negative estimated relationship with firm value, holding profitability constant. The profitability coefficient is .058, indicating a positive estimated relationship with firm value, holding dividend policy constant.

b. Correlation Coefficient Analysis

Table 5. Correlation Test

Variable	Statistic	Dividend Policy	Profitability	Firm Value
Dividend Policy	Pearson Correlation	1	.207	-.059
	Sig. (2-tailed)		.459	.836
	N	15	15	15
Profitability	Pearson Correlation	.207	1	.508
	Sig. (2-tailed)	.459		.053
	N	15	15	15
Firm Value	Pearson Correlation	-.059	.508	1
	Sig. (2-tailed)	.836	.053	
	N	15	15	15

Source: SPSS Version 26 Output.

Table 7 shows a Pearson correlation of -.059 between dividend policy and firm value, indicating a

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very weak negative relationship. The correlation between profitability and firm value was .508, indicating a moderate positive relationship. The correlation between dividend policy and profitability was .207, indicating a weak positive relationship.

c. Coefficient of Determination

Table 6. Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.535[a]	.286	.167	.505

[a] Predictors: (Constant), Profitability, Dividend Policy.

Source: SPSS Version 26 Output.

The model summary reported an R value of .535 and an R^2 value of .286. The coefficient of determination indicates that dividend policy and profitability jointly accounted for 28.6% of the variation in firm value, while the remaining 71.4% was associated with factors outside the model.

4.1.4. Hypothesis Testing Results

a. Partial Hypothesis Testing (t-Test)

Table 7. Hypothesis Testing (t-Test)

Model	Variable	B	Std. Error	Beta	t	Sig.
1	(Constant)	.954	.381		2.501	.028
	Dividend Policy	-3.189	.000	-.171	-.686	.505
	Profitability	.058	.027	.544	2.181	.050

Source: SPSS Version 26 Output.

H1: Effect of Dividend Policy on Firm Value

The calculated t-statistic for dividend policy was -.686, with a reported critical t-value of 2.131 and a p-value of .505. Because the p-value exceeded .05, dividend policy did not have a statistically significant partial effect on firm value. Therefore, H1 was not supported.

H2: Effect of Profitability on Firm Value

The calculated t-statistic for profitability was 2.181, with a reported critical t-value of 2.131 and a p-value of .050. The original study classified this result as statistically significant and accepted H2. However, because the reported p-value equals the .05 threshold, the conclusion requires verification using the unrounded SPSS output and the prespecified decision rule.

b. Simultaneous Hypothesis Testing (F-Test)

Table 8. F-Test

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.228	2	.614	2.408	.032[b]
Residual	3.060	12	.255	—	—
Total	4.288	14	—	—	—

Source: SPSS Version 26 Output.

The original analysis reported an F-statistic of 2.408 and a significance value of .032. Based on the reported significance value, the study concluded that dividend policy and profitability jointly had a statistically significant effect on firm value, supporting H3. However, the reported significance value should be checked against the original SPSS output because it appears inconsistent with the reported F-statistic and degrees of freedom.

4.1.5. Visual Presentation of Results

Figure 2 presents the residual scatterplot used to assess heteroscedasticity, while Tables 1–8 present the normality test, multicollinearity test, runs test, regression coefficients, correlation coefficients, coefficient of determination, partial hypothesis tests,

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and simultaneous hypothesis test, respectively. Together, these outputs summarize the statistical analysis of the 15 company-year observations.

4.2. Research Discussion

4.2.1. Interpretation of Key Findings

a. The Effect of Dividend Policy on Firm Value

The results indicate that dividend policy, measured by DPR, did not have a statistically significant partial effect on firm value. The regression coefficient was negative (-3.189), but its p-value of .505 exceeded the .05 threshold. This suggests that variations in dividend payout ratios were not significantly associated with PBV in the selected sample during 2020–2024. Dividend policy alone may therefore be insufficient to explain differences in the market valuation of the selected banks.

b. The Effect of Profitability on Firm Value

The profitability coefficient was positive (.058), with a reported t-statistic of 2.181 and a p-value of .050. The direction of the coefficient suggests that higher ROE was associated with higher PBV, holding dividend policy constant. This finding is consistent with the view that investors consider a bank's ability to generate earnings from shareholders' equity when evaluating its market value. Nevertheless, the statistical conclusion should be confirmed using the unrounded p-value.

c. The Simultaneous Effect of Dividend Policy and Profitability

The original analysis reported that dividend policy and profitability jointly influenced firm value, based on an F-statistic of 2.408 and a reported significance value of .032. If confirmed by the original output, this result would indicate that the two variables jointly explain a statistically significant portion of variation in PBV, even though dividend policy does not show a significant partial effect.

4.2.2. Comparison with Previous Studies

The finding that dividend policy did not significantly affect firm value is consistent with Kartika (2009), who examined dividend policy in relation to firm value, and Pratiwi (2018), who reported that dividend policy was not a major determinant of firm value. These comparisons suggest that dividend distributions do not necessarily translate into higher market valuations in every research setting.

The positive profitability coefficient is consistent with Wulandari (2017), who reported a positive and significant effect of profitability on firm value. Fitriani and Hapsari (2020) also found that higher profitability was associated with higher firm value. These studies support the relevance of profitability in explaining investor assessments of company performance.

Regarding the joint effect, Juniarti et al. (2024) examined dividend policy, profitability, and investment policy in Indonesian banking companies during 2021–2023. Their findings indicated that dividend policy had a significant individual effect, profitability had a positive but statistically insignificant individual effect, and the variables jointly had a significant effect on firm value. The simultaneous finding is comparable to the conclusion reported in the present study, although the individual effects differ.

4.2.3. Theoretical Contributions

This study contributes to the empirical understanding of the relationship between dividend policy, profitability, and firm value in the Indonesian banking sector. The lack of a significant partial effect for dividend policy indicates that dividend distribution alone may not sufficiently explain firm valuation in the selected sample. Meanwhile, the positive profitability coefficient highlights the relevance of earnings-generating capacity to investors' assessments. These findings demonstrate the importance of distinguishing between the individual effects of financial variables and their joint explanatory contribution.

4.2.4. Practical and Policy Implications

For bank management, the findings suggest that dividend decisions should be considered alongside profitability, capital needs, and long-term business objectives. A stable and transparent dividend policy may support investor communication, but dividend distributions should not replace efforts to improve operating performance. Banks should strengthen profitability through operational efficiency, product innovation, and sound risk management. For investors, the results suggest that dividend payout ratios should not be considered in isolation when evaluating banking companies. Profitability, measured by ROE, and

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other relevant financial indicators should also be examined to obtain a more comprehensive assessment of financial performance and future prospects.

4.2.5. Integration with the Research Gap

Previous research has produced inconsistent findings concerning the effects of dividend policy and profitability on firm value. By examining three state-owned banks over the 2020–2024 period, this study provides additional evidence from the Indonesian banking sector. The results indicate no significant partial effect of dividend policy, a positive estimated relationship between profitability and firm value, and a reported significant joint effect. Subject to verification of the statistical outputs, these findings help clarify how the two variables relate to market valuation in this specific setting.

4.2.6. Acknowledgement of Study Limitations

The findings should be interpreted in light of the study's limited sample of three banks and 15 company-year observations. The model included only dividend policy and profitability, leaving other potential determinants of firm value outside the analysis. In addition, the reported p-value for profitability and the reported significance value for the F-test require verification. These issues limit the strength of conclusions that can be drawn from the current statistical results.

5. Conclusion

5.1. Summary of Key Findings

This study examined the effects of dividend policy and profitability on the firm value of three state-owned banks listed on the IDX during 2020–2024. The results indicated that dividend policy did not have a statistically significant partial effect on firm value. Profitability had a positive estimated coefficient, although its significance at the .05 threshold requires confirmation from the unrounded output. The original analysis reported that dividend policy and profitability jointly had a significant effect on firm value, but the F-test output should be verified before the conclusion is finalized.

5.2. Theoretical Contributions

The study adds sector-specific evidence to the literature on dividend policy, profitability, and firm value in Indonesian banking. Its findings highlight the importance of evaluating individual and joint relationships separately and demonstrate that dividend policy alone may not adequately explain variations in market valuation.

5.3. Practical and Policy Implications

Banking companies should maintain a transparent dividend policy while prioritizing sustainable profitability, operational efficiency, product innovation, and sound risk management. Investors should assess dividend distributions alongside profitability and other relevant financial indicators rather than relying on dividend payout ratios alone.

5.4. Limitations of the Study

The study was limited to three state-owned banks and 15 company-year observations from 2020–2024. The use of a small sample and two explanatory variables restricts the generalizability of the findings. In addition, inconsistencies in the reported statistical outputs require verification before definitive conclusions can be drawn about the significance of profitability and the joint regression model.

5.5. Directions for Future Research

Future research could expand the sample to include private and other publicly listed banks, extend the observation period, and incorporate additional financial variables that may explain firm value. Researchers should also verify statistical outputs against the original software results and consider analytical methods appropriate for the structure of company-year data to strengthen the reliability and generalizability of the findings.

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