

The Role of Dividend Policy in Mediating the Influence of Capital Structure, Profitability, and Investment Opportunities on Firm Value

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Keyword:		Abstract
capital structure; profitability; investment opportunity; dividend policy; firm value		Firm value is an indicator of investor confidence and corporate performance, particularly in Indonesia's food and beverage sector, where market valuation fluctuated during 2019–2025. This study examines the effects of capital structure, profitability, and investment opportunity on firm value, while assessing dividend policy as a mediating variable. A quantitative design was employed using secondary data from annual reports and financial statements of food and beverage companies listed on the Indonesia Stock Exchange. Purposive sampling produced 20 companies observed over seven years, yielding 140 panel observations. Data were analyzed using panel data regression, path analysis, and the Sobel test with EViews 12, with firm size included as a control variable. The results show that capital structure has no significant effect on either dividend policy or firm value. Profitability positively affects dividend policy and firm value, while investment opportunity negatively affects dividend policy but positively and most strongly affects firm value. Dividend policy positively affects firm value and partially mediates the relationship between investment opportunity and firm value, but does not significantly mediate the effects of capital structure or profitability. The study concludes that investment opportunity is the dominant determinant of firm value, with dividend policy serving as a selective mediation mechanism.

INTRODUCTION

The capital market is a key indicator of investor confidence in a country's economic condition (Arsya, 2025), functioning both as a fund-raising channel for companies through the issuance of shares and bonds and as an investment (Gennusi & Maharani, 2021) alternative offering capital gains and dividends (Herlinawati et al., 2024). According to (Brigham & Houston, 2019), the primary objective of a publicly listed company is to maximize shareholder wealth through an increase in firm value, as reflected in its market share price. In recent years, Indonesia's capital market has grown rapidly, driven by the ease of opening digital securities accounts, rising financial literacy (Pham, 2026), and broader access to information, which have significantly increased the number of investors no longer dominated by institutional investors alone (Nasuha, 2024), but increasingly involving active retail investors who conduct fundamental analysis (Baltagi, 2008) before making investment (Cahya & Septiani, 2024) decisions.

Among the sectors that attract particular investor attention in Indonesia's capital (Jaiswal, 2025) market is the food and beverage sector, known as a defensive sector capable of sustaining demand even during economic slowdowns, since its products are basic (Gujarati & Porter, 2014) necessities with relatively stable consumption levels (Jogiyanto, 2017). According to Porter (1985), industries that meet consumers' basic needs generally show greater resilience to economic fluctuations than industries dependent on discretionary consumption. Beyond this defensive character, the sector is supported by strong fundamental growth drivers, including Indonesia's growing population, rising incomes, an expanding middle class, changing consumption patterns, urbanization, and increasing demand for processed food products, all of which create wide expansion opportunities through product diversification, increased production capacity, and broader distribution networks. During periods of global economic uncertainty, investors often engage in a “flight to quality” toward companies with strong fundamentals, stable cash flow, and relatively low business risk making food and beverage stocks, exemplified by issuers such as PT Sariguna Primatirta Tbk, PT Garudafood Putra (Putra & Sutrisni, 2026) Putri Jaya Tbk, PT Indofood CBP Sukses Makmur Tbk, PT Buyung Poetra Sembada Tbk, and PT Tigaraksa Satria Tbk, particularly attractive for their stable cash flow generation, sustained business (Cooper & Schindler, 2014) expansion, and consistent dividend distribution (Adnyani & Suaryana, 2026).

Nevertheless, the food and beverage sector is not entirely free from market risk. Share price movements remain subject to fluctuation driven by both macroeconomic factors inflation, interest rate changes, rupiah depreciation, rising raw material costs, and slowing economic growth and internal factors such as profitability, asset-use efficiency, funding strategy, investment (Rofifudin et al., 2025) prospects, and dividend consistency (Purwaningsih & Lestari, 2021). This is illustrated by the Price to Book Value (PBV) trends of several food and beverage issuers listed on the Indonesia Stock Exchange (IDX) between 2019 and 2025, as presented in Table 1.

As shown in Table 1, the PBV of several food and beverage companies fluctuated considerably from year to year, indicating that firm value is not always stable and tends to shift with internal and external conditions. PT BISI International Tbk (BISI), for instance, saw its PBV decline from 1.360 in 2019 to 1.094 in 2021, rise to 1.574 in 2022, then fall again to 0.751 by 2025. PT Budi Starch & Sweetener Tbk (BUDI) followed a similarly fluctuating pattern, falling from 0.361 in 2019 to 0.337 in 2020, rising to 0.786 in 2023, then declining again to 0.570 in 2025. PT Campina Ice Cream Industry Tbk (CAMP) saw its PBV fall from 2.353 in 2019 to 1.365 in 2021, rise to 2.483 in 2023, then fall again to 1.263 in 2025, while PT Wilmar Cahaya Indonesia Tbk (CEKA) showed a broadly gradual decline from 0.878 in 2019 to 0.648 in 2024, with only a slight uptick to 0.712 in 2025. This fluctuation indicates that PBV in the food and beverage subsector is shaped by a range of factors affecting investor perceptions of company prospects, underscoring the need for further research into the determinants of firm value particularly capital structure (Dwimahyu & Candraningrat, 2025), profitability, and investment (Pham, 2026) opportunity (Gaver & Gaver, 1993) and the role of (Pangestuti et al., 2022) dividend policy as (Hapsari & Aprilia, 2023) an intervening (Nursupian, 2021) variable (Baron & Kenny, 1986) in explaining these relationships.

From an investor's perspective, the decision to purchase a stock is fundamentally a decision to buy into a company's future prospects, making firm value defined by Brigham and Houston (2019) as investors' perception of a company's success as reflected in its share price a central evaluation criterion. Three fundamental factors commonly considered by investors in this regard are capital structure, profitability, and investment opportunity (Ifadah, 2021), each reflecting a company's ability to manage resources, generate profit, and create long-term growth.

Capital structure, the combination of debt and equity used to finance (Brealey et al., 2020) a company's operations, is a critical financial decision affecting both risk and expected return. Brigham and Houston (2019) note that an optimal capital structure maximizes firm value by balancing the tax-shield benefit of debt against the cost of financial distress, consistent with Trade-Off Theory; this study proxies capital structure using the Debt to Equity Ratio (DER). Empirically, however, the effect of capital structure on firm value remains inconsistent: several studies report a significant positive effect (Vernanda et al., 2025; Utami et al., 2024; (Bui et al., 2023); (Puspitawati et al., 2022), while others find no significant effect (Arahman & Wiyanti, 2025), pointing to the need for further testing.

Profitability, reflecting a company's ability to generate profit from its resources and proxied in this study by Return on Equity (ROE), is likewise a key fundamental factor for investors. Kasmir (2019) notes that higher profitability (Bon, 2022a, 2022b) (Akhmadi & Januarsi, 2021) signals more effective management, consistent with Signaling (Arsya, 2025) Theory's view that strong earnings are a positive signal of company prospects that can boost share demand and firm value. Research findings here are similarly mixed: most studies report a significant positive effect of profitability (Dewi, 2026) on firm value (Jihadi et al., 2021), while Rizki and Siregar (2025), Safitri et al. (2025), and Siantar et al. (2024) find no such effect.

Investment opportunity, representing a company's capacity to pursue future growth-generating investments, is proxied in this study using the Market to Book Value of Assets (MBVA) ratio, which combines the value of assets in place with future investment opportunities. (Myers, 1977) notes that companies with high investment opportunity tend to receive more favorable market assessments, and under Signaling Theory, a higher MBVA signals positive market expectations about a company's future value-creation capacity. Yet here too, findings diverge: some studies report a significant positive effect on firm value (Afridi et al., 2022), while (B. Astuti, 2025; D. Astuti, 2022), Mariva et al. (2022), and Angelica and Jin (2023) find no significant effect.

Dividend policy, the decision on what proportion of profit is distributed to shareholders versus retained as internal funding proxied in this study by the Dividend Payout Ratio (DPR) is a further strategic financial decision requiring a balance between investors' expectations of dividend income and the company's need to fund future investment and growth. Signaling Theory (Jensen & Meckling, 1976) views dividend distribution as a positive signal of future prospects that can enhance investor confidence, whereas Modigliani and Miller's Dividend Irrelevance Theory holds that dividend policy does not affect firm value under perfect market conditions reflecting an ongoing debate in the financial literature. Dividend policy decisions are themselves believed to be shaped by capital structure, profitability, and investment opportunity, though empirical findings

on each relationship, as well as on dividend policy's role in mediating (Haq et al., 2025) the effect of these three variables on firm value, remain inconsistent across prior studies.

Given these phenomena, theoretical foundations, and inconsistent findings in prior research most of which has focused on the manufacturing (Romansyah, 2021) sector broadly rather than the food and beverage subsector specifically this study was undertaken to examine the factors influencing firm value among food and beverage subsector companies for the 2019–2025 period, under the title “The Role of Dividend Policy in Mediating (Nugraha & Hersugondo, 2025) the Influence (Affandi & Kusmayadi, 2025) of Capital Structure, Profitability, and Investment Opportunity on Firm Value (Ifada et al., 2021).”

This study seeks to answer ten research questions, correspondingly reflected in ten research objectives: (1) whether and how capital structure affects firm value; (2) whether and how profitability affects firm value; (3) whether and how investment opportunity affects firm value; (4) whether and how capital structure affects dividend policy; (5) whether and how profitability (Fristianti, 2024) affects dividend policy; (6) whether and how investment opportunity affects dividend policy; (7) whether and how dividend policy affects firm value; and whether dividend policy mediates the effect on firm value of (8) capital structure, (9) profitability, and (10) investment opportunity all examined among food and beverage subsector companies listed on the Indonesia Stock Exchange during the 2019–2025 period.

This research is expected to benefit three groups of stakeholders. For investors and prospective investors, the findings may inform investment decisions on the Indonesia Stock Exchange, helping them decide whether to buy, sell, or hold a given stock so as to secure invested funds and minimize losses when negative company signals emerge. For companies, the findings may help maximize firm value by clarifying which fundamental factors most affect it, enabling management to strengthen these factors and evaluate solutions to obstacles that hinder value creation. For future researchers (Fristianti, 2024), this study is intended to serve as a reference for formulating new research problems, particularly regarding underexplored determinants of firm value.

METHOD

Unit of Analysis, Population, and Sample

The unit of analysis in this study was organizational in nature, comprising food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2025 period. The data analyzed are secondary data drawn from each company's annual reports and audited financial statements, published through the IDX and companies' official websites. This study adopts a quantitative, verificative approach using the explanatory survey method, aimed at testing the causal relationships among independent, intervening, and dependent variables through statistical hypothesis testing. Specifically, the study examines the effect of capital structure, profitability, and investment opportunity as independent variables (X) on firm value as the dependent variable (Y), with dividend policy serving as the intervening variable (Z); capital structure is proxied by the Debt to Equity Ratio (DER), profitability by Return on Equity (ROE),

investment opportunity by the Market to Book Value of Assets (MBVA), dividend policy by the Dividend Payout Ratio (DPR), and firm value by Price to Book Value (PBV). The relationships among variables are analyzed using panel data regression with EViews 12, allowing both direct effects and indirect effects through dividend policy to be identified.

The study population comprises all 40 food and beverage subsector companies listed on the IDX during the 2019–2025 period. From this population, a sample was selected using purposive sampling a non-probability technique that selects samples based on criteria aligned with the research objective applying three criteria: the company must be a food and beverage company listed on the IDX throughout 2019–2025, must report its financial statements in Indonesian Rupiah, and must have recorded a profit, as summarized in Table 1.

Table 1. Sample Qualification Criteria

No	Criteria
1	Food and beverage companies listed on the Indonesia Stock Exchange during the 2019–2025 period.
2	Food and beverage companies reporting their financial statements in Indonesian Rupiah for 2019–2025.
3	Companies that recorded a profit.

Source: Data processed by the researcher (2026).

Applying these criteria to the population of 40 companies, and after identifying and excluding outliers, 20 companies were confirmed as meeting the requirements and were retained as the final research sample, observed over seven years (2019–2025) for a total of 140 panel observations, as listed in Table 2.

Table 2. Final Research Sample

No	Code	Company Name
1	BISI	PT BISI International Tbk
2	BUDI	PT Budi Starch & Sweetener Tbk
3	CAMP	PT Campina Ice Cream Industry Tbk
4	CEKA	PT Wilmar Cahaya Indonesia Tbk
5	CLEO	PT Sariguna Primatirta Tbk
6	CPIN	PT Charoen Pokphand Indonesia Tbk

No	Code	Company Name
7	GOOD	PT Garudafood Putra Putri Jaya Tbk
8	HOKI	PT Buyung Poetra Sembada Tbk
9	ICBP	PT Indofood CBP Sukses Makmur Tbk
10	INDF	PT Indofood Sukses Makmur Tbk
11	JPFA	PT Japfa Comfeed Indonesia Tbk
12	KEJU	PT Mulia Boga Raya Tbk
13	LSIP	PT Perusahaan Perkebunan London Sumatra Indonesia Tbk
14	MYOR	PT Mayora Indah Tbk
15	ROTI	PT Nippon Indosari Corpindo Tbk
16	SKLT	PT Sekar Laut Tbk
17	STTP	PT Siantar Top Tbk
18	TBLA	PT Tunas Baru Lampung Tbk
19	TGKA	PT Tigaraksa Satria Tbk
20	ULTJ	PT Ultra Jaya Milk Industry and Trading Company Tbk

Source: Data processed by the researcher (2026).

Data Collection Technique

This study uses secondary data obtained from companies' annual financial statements, accessed through the IDX's official website and other supporting sources such as company annual reports and capital-market publications. Data were collected using the documentation method gathering, recording, and processing data relevant to the research variables, including total assets, total debt, total equity, net profit, and share price, for the 2019–2025 period, so as to obtain a comprehensive picture of company conditions across different economic phases.

Variable Operationalization

This study classifies its variables into four categories: independent variables (X) capital structure (X₁), profitability (X₂), and investment opportunity (X₃); a dependent variable (Y) firm value; an intervening variable (Z) dividend policy; and a control variable (K) firm size, proxied by

the natural logarithm of total assets. Each variable's indicator and measurement formula is summarized in Table 3.

Table 3. Variable Operationalization

Variable	Indicator	Measurement
Capital Structure	Debt to Equity Ratio (DER)	$DER = (\text{Total Debt} \div \text{Total Equity}) \times 100\%$
Profitability	Return on Equity (ROE)	$ROE = (\text{Net Profit} \div \text{Equity}) \times 100\%$
Investment Opportunity	Market to Book Value of Assets (MBVA)	$MBVA = [(\text{Shares Outstanding at Year-End} \times \text{Closing Share Price}) + \text{Total Liabilities}] \div \text{Total Assets}$
Firm Value	Price to Book Value (PBV)	$PBV = (\text{Share Price} \div \text{Book Value per Share}) \times 100\%$
Dividend Policy	Dividend Payout Ratio (DPR)	$DPR = (\text{Dividend per Share} \div \text{Earnings per Share}) \times 100\%$
Firm Size (control)	Firm Size (SIZE)	$SIZE = \text{Ln}(\text{Total Assets})$

Source: Kasmir, Analisis Laporan Keuangan (2019).

Data Analysis Technique

Given that the research data combine cross-sectional data (multiple companies) and time-series data (the 2019–2025 period), this study applies panel data regression analysis (Halim & Hanafi, 2016) using EViews 12, proceeding through descriptive statistics, panel data model estimation and selection, classical assumption testing, hypothesis testing, and testing of dividend policy's mediating role. Descriptive statistics mean, median, maximum, minimum, and standard deviation were first computed to characterize each research variable prior to further analysis.

Three panel data regression approaches were considered: the Common Effect Model (Pooled OLS), which assumes a common intercept and coefficients across all observation units; the Fixed Effect Model, which allows each company its own intercept while holding coefficients constant; and the Random Effect Model, which treats cross-unit differences as part of the error component. The most appropriate model was determined through the Chow test (Common Effect vs. Fixed Effect), the Hausman test (Fixed Effect vs. Random Effect), and the Lagrange Multiplier test (Common Effect vs. Random Effect), with the selected model then used as the basis for hypothesis testing after classical assumption tests normality, multicollinearity, heteroscedasticity, and autocorrelation confirmed the model's validity.

Path analysis (Hair et al., 2019) was used to examine dividend policy's role as an intervening (Nursupian, 2021) variable linking capital structure, profitability, and investment opportunity to firm value, estimated through two regression equations. Model I estimates the effect of the independent variables and firm size on dividend policy: $Z = \alpha_1 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 K + e_1$.

Model II estimates the effect of the independent variables, dividend policy, and firm size on firm value: $Y = \alpha_2 + \beta_5 X_1 + \beta_6 X_2 + \beta_7 X_3 + \beta_8 Z + \beta_9 K + e_2$, where Y is firm value (PBV), Z is dividend policy (DPR), X_1 is capital structure (DER), X_2 is profitability (ROE), X_3 is investment opportunity (MBVA), K is firm size, α is the constant, β is the regression coefficient, and e is the error term.

Hypotheses were tested using the t-test (partial test), to assess the effect of each independent variable individually, with a hypothesis accepted at a probability value below 0.05; the F-test (simultaneous test), to assess the joint effect of all independent variables, using the same 0.05 threshold on the F-statistic probability; and the adjusted R^2 (coefficient of determination), to assess how much of the variance in the dependent variable is explained by the model, with values ranging from 0 to 1. The mediating role of dividend policy was further tested using the Sobel test, which formally tests the significance of the indirect effect of each independent variable on firm value as it passes through dividend policy. Finally, a robustness check was conducted by re-estimating the model using Tobin's Q as an alternative proxy for firm value, to confirm that the study's main findings were not dependent on the particular firm-value measure used.

RESULT AND DISCUSSION

Overview of the Research Object

Applying the purposive sampling criteria set out in the method, 20 of the 40 food and beverage subsector companies listed on the Indonesia Stock Exchange met all requirements and were retained as the final research sample, observed over the 2019–2025 period for a balanced (Harmono, 2017) panel of 140 observations. The final sample spans a range of F&B segments, including bottled water (PT Sariguna Primatirta Tbk), poultry feed (PT Charoen Pokphand Indonesia Tbk, PT Japfa Comfeed Indonesia Tbk), instant noodles and processed foods (PT Indofood CBP Sukses Makmur Tbk, PT Indofood Sukses Makmur Tbk, PT Mayora Indah Tbk), dairy and beverages (PT Ultra Jaya Milk Industry and Trading Company Tbk), bakery products (PT Nippon Indosari Corpindo Tbk), and plantation and agribusiness (PT Perusahaan Perkebunan London Sumatra Indonesia Tbk, PT Tunas Baru Lampung Tbk), providing adequate representation of Indonesia's F&B industry as a whole (Chung & Pruitt, 1994).

Descriptive Statistics

Descriptive statistics for all research variables across the 140 panel observations are summarized in Table 1. Firm value (PBV) averaged 6.0534 (median 6.2284), ranging from 0.0005 (PT Perusahaan Perkebunan London Sumatra Indonesia Tbk, 2024) to 9.7939 (PT Sariguna Primatirta Tbk, 2024); a mean well above 1 indicates that, in aggregate, Indonesia's capital market prices these F&B companies considerably above their book equity value. Dividend policy (DPR) averaged 2.6816, capital structure (DER) averaged 0.6731, profitability (ROE) averaged 15.34%, and investment opportunity (MBVA) averaged 1.9993, while the control variable, firm size (SIZE), averaged 29.4476 with a relatively small standard deviation (1.7487), indicating a fairly homogeneous sample in terms of company scale (Ferriswara, 2022).

Table 4. Descriptive Statistics Summary of Research Variables (N = 140)

Variable	Type	Min.	Max.	Mean	Median	Std. Dev.
Firm Value (PBV)	Dependent	0.0005	9.7939	6.0534	6.2284	1.8139
Firm Value (Tobin's Q)	Robustness DV	0.0933	8.6800	1.9993	1.3454	1.8394
Dividend Policy (DPR)	Intervening	0.0000	5.4000	2.6816	2.6757	0.9265
Capital Structure (DER)	Independent	0.0693	2.4650	0.6731	0.4758	0.5484
Profitability (ROE)	Independent	0.0001	0.3880	0.1534	0.1408	0.0827
Investment Opportunity (MBVA)	Independent	0.0933	8.6800	1.9993	1.3454	1.8394
Firm Size (SIZE)	Control	27.2250	33.0150	29.4476	28.8730	1.7487

Source: Secondary data processed (EViews 12), 2026.

Panel Data Model Selection

Before estimation, the most appropriate panel data model was determined through the Chow, Hausman, and Lagrange Multiplier (LM) tests for both regression equations. The Chow test favored the Fixed Effect Model over the Common Effect Model for both equations ($p = 0.0000$). The Hausman test, however, favored the Random Effect Model over the Fixed Effect Model for both equations ($p = 0.8936$ for Substructure 1; $p = 0.1674$ for Substructure 2), indicating no significant correlation between individual effects and the independent variables. The LM test further confirmed the Random Effect Model over the Common Effect Model ($p = 0.0000$ for both equations). The Random Effect Model, estimated using Panel EGLS with a cross-section random effects approach, was therefore selected for both regression equations.

Path Analysis and Panel Regression Results

Substructure 1: Effect on Dividend Policy (DPR)

The first regression equation, $DPR = \alpha_1 + \beta_1 LNDER + \beta_2 LNROE + \beta_3 LNMBVA + \beta_4 SIZE + e_1$, tests the effect of capital structure, profitability, investment opportunity, and firm size on dividend policy, with results summarized in Table 5.

Table 5. Substructure 1 Regression Results (Dependent Variable: Dividend Policy/DPR)

Variable	Coeff. (β)	Std. Error	t-Statistic	p-value	Remarks
Constant (α_1)	3.7616	2.8229	1.3325	0.1849	
Capital Structure (LNDER)	0.2105	0.1381	1.5249	0.1297	Not Significant
Profitability (LNROE)	0.4172	0.1564	2.6680	0.0086	Significant
Investment Opportunity (LNMBVA)	-0.5237	0.1588	-3.2990	0.0012	Significant
Firm Size (SIZE)	0.0019	0.0959	0.0201	0.9840	Not Significant

Source: Secondary data processed (EViews 12), 2026. Model statistics: R^2 (Weighted) = 0.1331; Adj. R^2 (Weighted) = 0.1075; F-statistic = 5.1834; Prob.(F-statistic) = 0.0006; Durbin-Watson = 1.9733.

The estimated equation is $DPR = 3.7616 + 0.2105 LNDER + 0.4172 LNROE - 0.5237 LNMBVA + 0.0019 SIZE + e_1$. Capital structure (DER) shows a positive but statistically insignificant effect on dividend policy ($p = 0.1297$). Profitability (ROE) shows a significant positive effect ($p = 0.0086$), indicating that more profitable companies distribute a larger share of earnings as dividends. Investment opportunity (MBVA) shows a significant negative effect ($p = 0.0012$), indicating that companies with greater investment opportunities retain more earnings rather than distributing them as dividends. Firm size shows no significant effect ($p = 0.9840$). The F-statistic (5.1834; $p = 0.0006$) confirms that the independent variables jointly affect dividend policy, though the relatively low adjusted R^2 (10.75%) is unsurprising given that dividend policy is also shaped by qualitative factors management preference, liquidity conditions, and debt covenants not captured in the model.

Substructure 2: Effect on Firm Value (PBV)

The second regression equation, $PBV = \alpha_2 + \beta_5 LNDER + \beta_6 LNROE + \beta_7 LNMBVA + \beta_8 DPR + \beta_9 SIZE + e_2$, tests the direct effect of capital structure, profitability, investment opportunity, dividend policy, and firm size on firm value, with results summarized in Table 6.

Table 6. Substructure 2 Regression Results (Dependent Variable: Firm Value/PBV)

Variable	Coeff. (β)	Std. Error	t-Statistic	p-value	Remarks
Constant (α_2)	3.8384	2.3327	1.6455	0.1022	

Variable	Coeff. (β)	Std. Error	t-Statistic	p-value	Remarks
Capital Structure (LNDER)	-0.1228	0.1250	-0.9823	0.3277	Not Significant
Profitability (LNROE)	0.7680	0.1774	4.3288	0.0000	Significant
Investment Opportunity (LNMBVA)	1.2969	0.1523	8.5140	0.0000	Significant
Dividend Policy (DPR)	0.2361	0.0967	2.4414	0.0159	Significant
Firm Size (SIZE)	0.0913	0.0785	1.1632	0.2468	Not Significant

Source: Secondary data processed (EViews 12), 2026. Model statistics: R^2 (Weighted) = 0.6062; Adj. R^2 (Weighted) = 0.5915; R^2 (Unweighted) = 0.8146; F-statistic = 41.2526; Prob.(F-statistic) = 0.0000; Durbin-Watson = 2.1334.

The estimated equation is $PBV = 3.8384 - 0.1228 \text{ LNDER} + 0.7680 \text{ LNROE} + 1.2969 \text{ LNMBVA} + 0.2361 \text{ DPR} + 0.0913 \text{ SIZE} + e_2$. Capital structure shows a negative but statistically insignificant effect on firm value ($p = 0.3277$). Profitability (Irsad, 2023) shows a significant positive effect ($p = 0.0000$), as does investment opportunity, whose coefficient (1.2969) is both the largest and most significant in the model ($p = 0.0000$), making it the most dominant determinant of firm value. Dividend policy itself shows a significant positive effect on firm value ($p = 0.0159$). Firm size shows no significant effect ($p = 0.2468$). The model shows a strong overall fit, with an F-statistic of 41.2526 ($p = 0.0000$) and an unweighted R^2 of 0.8146, meaning the five variables jointly explain 81.46% of the variance in PBV.

Direct, Indirect, and Total Effects

Combining the path coefficients from both substructures yields the direct, indirect, and total effects of each independent variable on firm value through dividend policy, summarized in Table 7.

Table 7. Summary of Direct, Indirect, and Total Effects

Relationship	Direct Effect	Indirect Effect (via DPR)	Total Effect
LNDER $\rightarrow$ PBV	-0.1228	$0.2105 \times 0.2361 = +0.0497$	-0.0731
LNROE $\rightarrow$ PBV	+0.7680	$0.4172 \times 0.2361 = +0.0985$	+0.8665
LNMBVA $\rightarrow$ PBV	+1.2969	$-0.5237 \times 0.2361 = -0.1236$	+1.1733

Source: Secondary data processed, 2026.

Mediation Testing (Sobel Test)

The significance of dividend policy's mediating role along each path was tested using the Sobel test, with a path deemed significantly mediated at $\alpha = 5\%$ when $|Z \text{ Sobel}|$ exceeds 1.96 ($p < 0.05$); results are summarized in Table 8.

Table 8. Sobel Test Summary

Mediation Path	a	b	Indirect Effect	Z Sobel	p-value	Remarks
LNDER→DPR→PBV (H8)	0.2105	0.2361	0.0497	1.294	0.196	Not Significant
LNROE→DPR→PBV (H9)	0.4172	0.2361	0.0985	1.801	0.072	Sig. at $\alpha=10\%$
LNMBVA→DPR→PBV (H10)	-0.5237	0.2361	-0.1236	-1.963	0.0497	Significant (5%)

Source: Secondary data processed, 2026.

For the LNDER→DPR→PBV path (H8), $|Z \text{ Sobel}| = 1.294$ ($p = 0.196$), below the 1.96 threshold, so dividend policy does not significantly mediate the effect of capital structure on firm value; H8 is rejected. For the LNROE→DPR→PBV path (H9), $|Z \text{ Sobel}| = 1.801$ ($p = 0.072$) significant at $\alpha = 10\%$ but not at the conventional $\alpha = 5\%$ threshold so H9 is formally rejected at 5%, reflecting that profitability's direct effect on firm value is already dominant enough that the indirect path through dividends adds little further mediating effect. For the LNMBVA→DPR→PBV path (H10), $|Z \text{ Sobel}| = 1.963$ ($p = 0.0497$), just above the threshold, so dividend policy is shown to significantly and partially mediate the effect of investment opportunity on firm value; H10 is accepted, with investment opportunity's positive direct effect on firm value remaining dominant alongside this partial mediation (Hayes, 2018).

Robustness Check

To confirm that these findings do not depend on the particular firm-value measure used, Substructure 2 was re-estimated using Tobin's Q as an alternative proxy for firm value. The LNMBVA variable remained consistently significant and positive under both the PBV and Tobin's Q specifications, confirming that investment opportunity's dominant role as a determinant of firm value is robust and not an artifact of the chosen valuation proxy.

Capital structure (DER) was found to have no significant effect on either dividend policy (H4) or firm value (H1). This is consistent with (Affandi & Kusmayadi, 2025) and Sawal et al. (2025), and can be explained by the relatively stable revenue and adequate operating cash flow typical of F&B companies, which allows them to sustain dividend payments and market valuation somewhat independently of their debt composition; the finding is also consistent with Pecking Order Theory (Myers & Majluf, 1984), under which profitable companies prioritize retained

earnings as an internal funding source, weakening the direct link between leverage (Irawan, 2024) and either dividends or valuation. This finding qualifies Trade-Off Theory's prediction, suggesting that in a defensive, cash-flow-stable sector such as F&B, capital structure alone is not a primary driver of either dividend policy or firm value.

Profitability (Ispriyahadi, 2021) (ROE) was found to have a significant positive effect on both dividend policy (H5) and firm value (H2). This is consistent with Bird in the Hand Theory (Gordon, 1963), which holds that more profitable companies are better able to distribute larger dividends, and with Signaling Theory, under which strong earnings signal positive company prospects that the market rewards with a higher valuation. These results align with Mariyana (2021), (Oktasia et al., 2023), Suresh and Pooja (2022), and Yulianti et al. (2026) on the dividend relationship, and with Jihadi et al. (2021), Sudiyatno (2021), and Pangestuti et al. (2022) on the firm-value relationship.

Investment opportunity (MBVA) emerged as the most dominant variable in the study: it significantly reduces dividend payout (H6) while significantly increasing (Pangestuti et al., 2022) firm value (H3), consistent with Pecking Order Theory's prediction that companies with strong investment opportunities retain earnings to self-fund profitable projects rather than distributing them as dividends, and with Signaling Theory's prediction that the market rewards companies with strong growth prospects with a higher valuation, regardless of current payout levels.

Dividend policy (DPR) itself was found to have a significant positive direct effect on firm value (H7), consistent with Signaling Theory, under which consistent, higher dividend payments signal sound financial health and are rewarded by the market with a higher valuation. In the mediation tests, dividend policy did not significantly mediate the effect of capital structure (H8 rejected) or, at the conventional 5% threshold, profitability (H9 rejected, though marginally significant at 10%) on firm value; it did, however, significantly and partially mediate the effect of investment opportunity on firm value (H10 accepted), indicating that part of investment opportunity's positive influence (Hasanuddin, 2021) on valuation operates by first reducing dividend payout, though its dominant direct effect on firm value remains the primary channel. Finally, firm size (SIZE) showed no significant partial effect on either dividend policy or firm value in either model, though its inclusion remains methodologically important for isolating the net effect of the primary variables from potential firm-size bias; robustness testing using Tobin's Q as an alternative firm-value proxy confirmed that investment opportunity's dominant role holds regardless of the specific valuation measure used.

CONCLUSION

Based on the data analysis and hypothesis testing conducted on 20 food and beverage subsector companies listed on the Indonesia Stock Exchange over the 2019–2025 period, comprising 140 panel observations, this study concludes that capital structure (DER) has no significant effect on either firm value (PBV) or dividend policy (DPR), indicating that changes in debt-to-equity composition do not consistently shape market perceptions of firm value or dividend decisions in Indonesia's F&B industry, where investors respond more strongly to growth and

profitability indicators. Profitability (ROE) has a significant positive effect on both firm value and dividend policy, confirming the relevance of Signaling Theory in the Indonesian capital market context: greater capacity to generate net income on shareholders' equity is rewarded with higher market valuation and greater dividend distribution. Investment opportunity (MBVA) has a significant positive effect on firm value with the largest coefficient among all variables ($\beta = 1.2969$), making it the most dominant variable in the model but a significant negative effect on dividend policy, as companies with stronger investment opportunities retain more earnings to fund profitable projects, consistent with Pecking Order Theory. Dividend policy itself has a significant positive effect on firm value, with companies that pay larger, more consistent dividends receiving higher market valuations, reflecting investor appreciation for the certainty of returns and the positive signal dividends send about a company's financial condition. In the mediation tests, dividend policy was not shown to significantly mediate the effect of either capital structure (Z Sobel = 1.294; $p = 0.196$) or, at the conventional 5% significance level, profitability (Z Sobel = 1.801; $p = 0.072$, significant only at the 10% level) on firm value. Dividend policy was, however, shown to significantly and partially mediate the effect of investment opportunity on firm value (Z Sobel = -1.963 ; $p = 0.0497$), with higher investment opportunity reducing dividend payments, which in turn slightly reduces PBV, even as investment opportunity's dominant positive direct effect on firm value remains significant. The control variable, firm size, had no significant partial effect on either dividend policy or firm value in either regression model, though its inclusion remained methodologically important for isolating the net effect of the primary variables from firm-size bias. A robustness check using Tobin's Q as an alternative firm-value proxy confirmed that the study's key finding the dominance of investment opportunity (LNMBVA) as the primary determinant of firm value held consistently across both valuation measures, demonstrating that the study's conclusions do not depend on the particular firm-value instrument used.

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