

ABSTRACT

This study aims to analyze the effect of firm size, profitability, and cash holdings on firm value, with dividend policy serving as a mediating variable, in non-financial companies listed in the LQ45 Index on the Indonesia Stock Exchange during the period 2020–2023. The study is motivated by the importance of firm value as an indicator of corporate success, reflecting investors' perceptions of a company's performance and future prospects. The population consists of non-financial companies included in the LQ45 Index, and the sample was selected using purposive sampling, resulting in 26 companies with a total of 104 observations. Secondary data obtained from annual financial reports were analyzed using panel data regression with the Common Effect Model (CEM) weighted by Panel EGLS (Cross-section weights) and the Sobel Test using EViews 13 software.

The direct test results indicate that firm size has a negative and significant effect on dividend policy (at $\alpha = 10\%$), profitability has a positive and significant effect on dividend policy, while cash holdings have a negative and significant effect on dividend policy. Furthermore, firm size and profitability have a negative and significant effect on firm value, whereas cash holdings and dividend policy have a positive and significant effect on firm value.

The mediation test using the Sobel Test reveals that dividend policy significantly mediates the effects of firm size (at $\alpha = 10\%$), profitability, and cash holdings on firm value. Therefore, this study concludes that dividend policy effectively acts as an intervening variable that translates internal financial characteristics into signals responded to by investors in forming firm value.

Keywords: Firm Size, Profitability, Cash Holdings, Dividend Policy, Firm Value.

