

The Effect of Firm Growth on Firm Value: Profitability as Mediation and Dividend Policy as Moderation

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ABSTRACT

This study aimed to examine how the effect of company growth on firm value, by considering the role of profitability as a mediating variable and dividend policy as a moderating variable. The object of research is focused on companies in the industrial sector listed on the Indonesia Stock Exchange during the period 2018 to 2023. The approach used is quantitative, by exploring the causal relationship comparatively. The data analyzed is secondary data taken from the financial statements of each company, either through the official website of the Indonesia Stock Exchange (IDX) or from the official website of the relevant company. The research sample was determined by purposive sampling method in industrial companies listed on the IDX during 2017 to 2022. The type of data used is panel data, which is analyzed using SPSS and Hayes Process software. The analysis stages start from descriptive statistics to conditional process analysis. The results of hypothesis testing show that: 1) Company growth has a negative and insignificant effect on firm value. 2) Company growth has a positive and significant effect on profitability. 3) Profitability has a positive and significant effect on firm value. 4) Profitability is able to mediate the effect of asset growth on firm value. 5) Dividend policy is not able to moderate the effect of asset growth on firm value.



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INTRODUCTION

The industrial sector includes companies that sell goods and services that are typically consumed by industries rather than consumers. The products and services produced are not products that must be reprocessed as raw materials. This industry includes manufacturers in aviation, defense, construction, electricity, and machinery, as well as business service providers such as printing, environmental management, goods, and industrial services. Additionally, this industry also includes professional service providers such as human resources and research for industrial needs.

The primary goal of a business is to deliver returns to its shareholders by boosting its overall worth. A company's value serves as a key metric for investors when choosing where to allocate their

funds, as evidenced by its financial statements. An uptick in a company's value indicates its capacity to produce higher returns for its shareholders (Yulianto & Hasanudin, 2024).

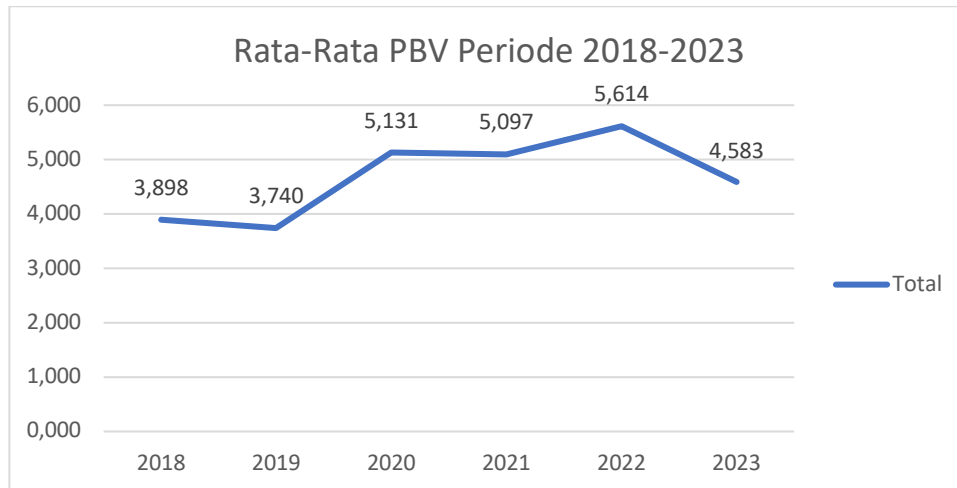


Figure 1. Average Price to Book Value (PBV) graph for companies in the industrial sector for the period 2018-2023

(Source: Data taken from idx.co.id, data processed)

The industrial sector is a capital-intensive sector that is greatly influenced by economic conditions at the time. The value of companies listed in the industrial sector during 2018-2023 fluctuated considerably with a downward trend, with the value of companies rising only twice in the last six years, in 2020 and 2022, and then declining in the following years. The fluctuating PBV with a downward trend may reduce investor confidence, as investors tend to seek companies with stable valuations for their investments. Investors may perceive the company as fundamentally unstable and anticipate potential future profit declines. PBV fluctuations can be influenced by factors such as company performance, debt levels, and growth rates.

Since company value is an asset that must be maintained, a company will be considered promising by many investors if it has high assets (Makmur et al., 2022). Company expansion can be measured by its asset growth, which reflects the change in total assets from one period to the next. As a company's asset base grows, its anticipated operating performance also improves. This growth signals that the company has a valuable, profitable business model, capable of delivering increasing earnings over time (Sidauruk et al., 2018). Such rising profits serve as a positive indicator for investors, boosting demand for the company's shares and, consequently, its market value.

According to Signaling Theory, company growth sends a positive signal because high annual growth rates indicate that the company has a competitive advantage and investors expect higher returns on their investments (Chusnitah & Retnati, 2017). Total asset growth reflects an increase in a company's asset base, signaling enhanced profitability and potential for future expansion. Profitability gauges a firm's capacity to generate earnings relative to its sales, use of capital, and efficiency in leveraging assets. Return on Assets (ROA) is a key metric in signaling theory (Isgiyarta & Aryani, 2020). Investors will want to put their funds into stocks or securities if the return on assets (ROA) ratio is high, which indicates good business performance.

The profits of industrial companies are greatly influenced by economic conditions because they are directly related to the daily purchasing power of the community. In addition, of all economic sectors,

the industrial sector has the highest Dividend Payout Ratio (DPR) target. Larger investments indicate a high company value. The amount of dividend payments is partly due to asset growth, which will later affect the company's value. There are several previous studies consistent with signaling theory, including research conducted by Sidauruk et al. (2018) which found that asset growth has a positive impact on PBV. If a company is growing, it indicates that it possesses advantageous features, as it is perceived to be capable of generating greater profits over time, gaining investor confidence, and ultimately increasing its value. The results of these studies are also supported by research by (Wahyuni & Gani, 2022), (Naelly & Mustafa, 2020), (Yulianto & Hasanudin, 2024), (Ramdonah et al., 2019) which found that a company's asset growth has a positive and significant effect on its value (PBV), meaning that the company's value will increase in line with its asset growth.

Meanwhile, the results of Triyani et al. (2018) study found that asset growth has no effect on PBV, but more funds are needed to handle operational tasks when company assets grow. This is due to the tendency of businesses to prioritize corporate expansion over the interests of shareholders or investors. These findings are also supported by the research of (Meidiawati & Mildawati, 2016), (Paminto et al., 2016), (Purwohandoko, 2017), (Anggara et al., 2019) and (Mesrawati et al., 2020) which found no influence of asset growth on company value (PBV).

This study is based on the problem of inconsistency between empirical data calculations and theoretical studies, as well as inconsistencies in previous studies, resulting in a theory gap and a research gap. Based on the explanation above, variables that act as mediators and moderators for these differences are needed. In this study, profitability is used as a mediator variable and dividend policy is used as a moderator variable.

LITERATURE REVIEW

Signaling Theory

This theory was first proposed by Spencer in 1973. Signal theory seeks to explain how the traits and actions of those sending signals affect the choices of those receiving them when information is unevenly distributed (Svetek, 2022). Signals are the result of decisions made by company management in running their operations.

Firm Value

Company value represents a firm's performance as indicated by its share price, which is set by market supply and demand and reflects public evaluation of the company's results (Brigham, 2016). Company value is considered market value because it can increase shareholder wealth if the company's share price rises (Harmono, 2022).

Firm Growth

Company growth is a metric used to analyze an entity's capacity to maintain its financial position in the context of economic expansion and market sector trends (Suwardika & Mustanda, 2017). A high company growth ratio indicates that the company can maintain its position amid economic growth (Ramdonah et al., 2019).

Profitability

Company profitability summarizes the comparison of its income and the assets or capital that generate it (Wardiyah, 2021). According to Kasmir (2019), company profitability refers to its capacity to generate profits during a certain period of time.

Dividend Policy

A company's dividend policy dictates the portion of its earnings paid out to shareholders as dividends versus retained to fund ongoing business activities (Purwaningsih & Lestari, 2021).

The Relationship Between Company Growth and Company Value

Company growth indicates that the company is expanding and can be seen by comparing the total assets for the current year with the total assets for the previous year because in the industrial sector, companies will tend to invest in fixed assets such as factories and machinery. According to Ramdonah et al. (2019), an increase in assets has a high potential to generate large cash flows in the future, and an increase in asset growth can send a positive signal to investors.

Research by Ramdonah et al. (2019) states that Growing asset levels signal a company's capacity to generate substantial future cash flows, sending a positive message to investors. Prospective investors interpret this as evidence of strong business prospects and an uplift in firm value. This observation aligns with signaling theory, which holds that accelerated company growth and boosts firm value by creating the potential for higher future earnings, thereby conveying an encouraging signal to the market.

The results of research conducted by Makmur et al. (2022) and Wahyuni & Gani (2022) found that asset growth has a positive effect on company value, where strong asset growth indicates that the business is performing well. This research is in line with the research by Yulianto & Hasanudin (2024) which states that company value is positively influenced by company expansion. This means that the higher the company's growth, the higher its value. The research hypothesis can be stated as follows.

H1: Company growth has a positive effect on company value.

The Relationship Between Company Growth and Company Value

Company growth is assessed based on asset growth, which refers to an increase in the number of assets used by the company for its operations, which will ultimately have an impact on profit determination. Companies with high asset growth rates have the potential to experience increased profits if they can manage their assets well. High profitability is a positive signal to investors that the company has potential as an investment.

A higher asset growth rate will result in a higher return on assets (ROA) because high growth can provide development for the company, enabling it to perform more efficiently by leveraging its asset growth to achieve advantageous aspects (Subekti & Wardana, 2022). This statement is also supported by Mansikkamäki (2023) research, which found that high company growth tends to generate greater profits from its operational activities, so that company growth has a positive relationship with profitability.

The results of this study are also in line with research by Isgiyarta & Aryani (2020) which states that future increases in a company's assets reflect its profitability and expansion. When a firm consistently boosts its earnings, it can deploy its assets more efficiently and achieve higher returns. The research hypothesis can be stated as follows.

H2: Company growth has a positive effect on profitability.

The Relationship Between Company Growth and Company Value

Profitability indicates a company's ability to generate net income from net sales and can also measure the company's management's ability to carry out its operational activities with the aim of reducing the company's expenses and generating the greatest possible profits. High profitability can send a signal reflected in stock prices, according to signal theory. A company's return on assets (ROA) is a good indicator for investors of its ability to pay returns to shareholders. This can also increase the company's value.

Research conducted by Wahyuni & Gani (2022) found that When a firm shows it can earn profits relative to its asset base, it attracts more investor interest, which in turn drives up its share price. The same results were obtained by Naelly & Mustafa (2020) who stated that profitability has a positive effect on company value. Nugraha & Wirama (2021) stated that greater investor participation drives share prices upward, which in turn raises the price-to-book value ratio. Likewise, a robust ROA attracts investors, as higher earnings enable the company to pay out larger dividends.

Research by Chusnitah & Retnati (2017) and Salim & Susilowati (2020) shows that company value is positively correlated with its profitability. This statement is also supported by the results of research by Ramdonah et al. (2019) which states that high profitability enhances firm value from an investor's standpoint, since companies that consistently generate strong profits demonstrate effective capital management. The research hypothesis can be stated as follows.

H3: Profitability has a positive effect on company value.

The Relationship Between Company Growth and Company Value

Companies with high growth rates tend to have high profitability because company growth indicates progress in company operations, allowing companies to leverage this into profitable aspects. High profitability is considered a sign of a company's good performance in managing its assets, which is a positive signal for investors and will increase the company's share price. Based on this, profitability can be a link between the influence of company growth on company value.

Akhmadi (2023) argues that Company growth is demonstrated by management's efforts to expand sales and increase assets. These measures enhance the firm's profit-earning capacity, which investors view as a positive signal, prompting greater stock investment and, consequently, driving up the company's value. This is supported by research by Nugroho & Halik (2021), which shows that increased company growth also indicates an increase in the company's potential to generate profits, which has a positive effect on company value. This is a positive signal to investors and can attract more investors to invest their capital.

Research by Triyani et al. (2018) and Ayuningrum, 2017) also states that As companies expand, their asset base grows, leading to improved operational performance. This, in turn, bolsters investor confidence and drives up the firm's value. The research hypothesis can be stated as follows.

H4: Profitability can mediate the effect of company growth on company value.

The Relationship Between Company Growth and Company Value

Dividend policy divides income to be used within the company as retained earnings or distributed to shareholders as dividends. An unexpected increase in dividends is seen as a positive sign regarding the company's future prospects, which can ultimately drive an increase in stock prices. Dividend policy can moderate the influence of the relationship between company growth and company value, where company asset growth can send a positive signal and instill confidence in investors that the company has the ability to provide profitable returns for them, in line with the increase in growth.

Research by Baroroh et al. (2024) states that dividend policy can moderate the relationship between company growth and company value. This research indicates that the value will increase if company growth increases. Rather than receiving certainty of future investment returns (capital gains), investors prefer to receive cash dividends. This is also supported by research from Safitri & Suwitho (2015) and Shabrina & Fidiana (2015), which states that dividend policy plays an important role for companies. If a company is experiencing growth and continues to distribute dividends, it will increase investor confidence and become a positive signal for the company's future prospects. The research hypothesis can be stated as follows.

H5: Dividend policy can moderate the effect of company growth on company value.

RESEARCH METHOD

Based on the scientific discovery method, this research uses quantitative research because it will test hypotheses. According to Ferdinand (2020) quantitative research begins with the development of hypotheses which are then tested quantitatively, with the aim of producing new hypothesis. In this study, quantitative data in the form of numbers obtained from financial reports on the IDXINDUST Index listed on the Indonesia Stock Exchange (IDX) for the period 2018-2023 were used.

The population of this study consists of companies included in the Industrial Index (IDXINDUST) listed on the Indonesia Stock Exchange (IDX) and having complete financial reports for the 2018-2023 period, totaling 39 companies. The sampling technique used in this study is purposive sampling, which is the selection of samples based on specific criteria that align with the research objectives (Kasmir, 2022). The number of samples used in this study is 12 companies. The sample size was determined based on the selection criteria for companies with complete and consistent financial reports listed in the IDXINDUST index and that regularly distributed dividends during the 2018-2023 period.

The data in this study were sourced from financial reports and annual reports of the company listed on the website (www.idx.co.id) and on the company's official website, as well as historical stock prices listed on the website (finance.yahoo.com). In addition, there are also sources that support the research, namely previous books and journals, as well as other sources needed for the research. The data collection method used was the documentation method. The data analysis techniques used to address the research problem include descriptive statistical methods, Hayes conditional process analysis, and hypothesis testing, with analysis tools utilizing the Statistical Product and Service Solutions (SPSS) program or IBM SPSS Statistics 25 and PROCESS V4.

The dependent variable (Y) in this study is the company value calculated using the price-to-book value (PBV) ratio. This ratio is calculated by comparing the market price of a stock with its book value. PBV can be calculated using the following formula

$$PBV = \frac{\text{Market Price Per Share}}{\text{Book Value Per Share}}$$

The independent variable in this study is company growth (X), which is proxied by asset growth. Asset growth is measured by dividing the difference between total assets for the current year and total assets for the previous year by total assets for the previous year. Asset growth shows how quickly a company has increased its assets in a given period. Asset growth can be calculated using the following formula:

$$\text{Growth Assets} = \frac{\text{Assets}_n - \text{Assets}_{n-1}}{\text{Assets}_{n-1}}$$

Mediation variables serve as a bridge between independent and dependent variables. In this study, profitability (Z1), measured by Return on Assets (ROA), fulfills this mediating role. ROA is a financial ratio that assesses how efficiently a company generates earnings from its asset base. Profitability can be calculated using the following formula:

$$ROA = \frac{\text{Earning after taxes}}{\text{Total Assets}}$$

A moderating variable alters the strength or direction of the relationship between an independent and a dependent variable. In this study, dividend policy (Z2), measured by the Dividend Payout Ratio (DPR), serves as the moderator. The DPR indicates the proportion of a company's net income that is paid out to shareholders. The DPR can be calculated using the following formula:

$$DPR = \frac{\text{Dividend Per Share}}{\text{Earnings Per Share}}$$

RESULTS AND DISCUSSIONS

Descriptive Statistics Results

Tabel 1. Descriptive Statistics Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
GA	72	-,232	,631	,09503	,169157
ROA	72	-,010	,364	,10336	,068078
DPR	72	-1,681	1,201	,45787	,346575
PBV	72	,328	44,226	4,73118	9,314150
Valid N (listwise)	72				

(Source: SPSS output)

Table 1 shows that the maximum company value measured by PBV is 0.631 or 63.1%, owned by PT Mark Dynamics Indonesia Tbk. (MARK) in 2020. This is because MARK experienced an increase in total assets of IDR 278,472,787,858. Meanwhile, the minimum value is -0.232 or -23.2%, owned by PT Hexindo Adiperkasa Tbk. (HEXA) in 2019, due to HEXA experiencing a drastic decrease in total assets of Rp 1,114,423,242,920. In terms of company growth measured by Growth Assets (GA), the maximum value of 0.631 or 63.1% was held by PT Mark Dynamics Indonesia Tbk. (MARK) in 2020. This was due to MARK experiencing an increase in total assets of Rp 278,472,787,858. Meanwhile, the minimum value is -0.232 or -23.2%, held by PT Hexindo Adiperkasa Tbk. (HEXA) in 2019, due to HEXA experiencing a significant decrease in total assets of Rp1,114,423,242,920.

The maximum profitability value measured by ROA of 0.364 or 36.4% was achieved by PT Mark Dynamics Indonesia Tbk. (MARK) in 2021. This was due to MARK experiencing a significant increase in net profit from the previous year. Meanwhile, the minimum value is -0.010 or -1%, held by PT Surya Toto Indonesia Tbk. (TOTO) in 2020, due to TOTO's net profit in 2020 being at a negative figure of Rp -30,689,667,468. The maximum dividend policy value measured by the DPR is 1.201 or 120.1%, held by PT Hexindo Adiperkasa Tbk. (HEXA) in 2020, meaning the company paid dividends exceeding the net profit generated. If the DPR ratio exceeds 100%, it means the company used other funds, such as cash reserves, debt, or profits from previous periods, to pay dividends. The minimum value was -1.681 or -168.1%, held by PT Surya Toto Indonesia Tbk. (TOTO) in 2020.

Hypothesis Test

This analysis assesses whether each independent variable exerts a partial influence on the dependent variable. When the calculated t-statistic exceeds the critical t-value, H_0 is rejected in favor of H_1 , indicating a significant partial effect. If the calculated t-statistic is lower than the critical value, H_0 is not rejected, showing no partial influence. Additionally, a p-value above 0.05 signifies that the independent variable is not statistically significant for the dependent variable.

Tabel 1. Pengujian Hipotesis

OUTCOME VARIABLE:						
PBV						
Model Summary						
	R	R-sq	MSE	F	df1	df2
	,4113	,1691	76,3827	3,4100	4,0000	67,0000
	p					
	,0134					
Model						
	coeff	se	t	p	LLCI	ULCI
constant	-1,1779	2,1939	-,5369	,5931	-5,5570	3,2013
GA	-7,8214	7,3580	-1,0630	,2916	-22,5080	6,8652
ROA	57,2139	18,7423	3,0527	,0033	19,8039	94,6239
DPR	2,4296	3,3128	,7334	,4659	-4,1827	9,0420
Int_1	3,7276	28,2851	,1318	,8955	-52,7300	60,1851

OUTCOME VARIABLE:						
ROA						
Model Summary						
	R	R-sq	MSE	F	df1	df2
	,4827	,2330	,0036	21,2689	1,0000	70,0000
	p					
	,0000					
Model						
	coeff	se	t	p	LLCI	ULCI
constant	,1034	,0071	14,6066	,0000	,0892	,1175
GA	,1943	,0421	4,6118	,0000	,1103	,2783

(Source: SPSS output)

Based on the regression test results in Table 4.2, it can be seen that the t-value of the company growth variable on company value is -1.0630, while the t-table value is 1.99547. Therefore, the t-value is less than the t-table value because 1.0630 is less than 1.99547 with a negative direction. The significance level is 0.2916, which is greater than 0.05, so the relationship between company growth and company value is not significant. It can be concluded that company growth has a negative and insignificant effect on company value, or hypothesis 1 is rejected. The t-calculated value of the company growth variable on profitability is 4.6118, where the t-table value is 1.99547, so the t-calculated value is greater than the t-table value because $4.6118 > 1.99547$. The significance level is 0.0000 or less than 0.05, so the relationship between company growth and profitability is significant, and hypothesis 2 is accepted. The t-value of the profitability variable on company value is 3.0527, where the t-table value is 1.99547. The t-value is greater than the t-table value because $3.0527 > 1.99547$. The significance level is 0.0033 or less than 0.05, so the relationship between profitability and company value is significant, and the third hypothesis is accepted.

Mediation and Moderation Test with Hayes Macro Process

Moderating-mediating analysis using Hayes' Macro Process to explore and understand how moderating variables and mediating variables influence the relationship between independent variables (X) and dependent variables (Y). Hypothesis testing for mediation and moderation using measurement techniques from SPSS with Hayes' Macro Process with Macro process v4.5 model 5.

Tabel 3. Pengujian Mediasi

Indirect effect(s) of X on Y:				
	Effect	BootSE	BootLLCI	BootULCI
ROA	11,1155	6,1400	2,0585	25,6086

(Source: SPSS output)

In mediation testing using PROCESS, to determine whether or not there is a mediating role of the variable, we look at the Lower Level Confidence Interval (LLCI) and Upper Level Confidence Interval (ULCI) values to see if they cross the 0 mark. If they cross 0, it means that there is no mediating role, so both values must be positive or negative. As shown in Table 3, the LLCI value is 2.0585, while the ULCI value is 25.6086, meaning they do not cross the 0 threshold. This indicates that the profitability variable can mediate the relationship between company growth and firm value, thus accepting the fourth hypothesis.

Based on the regression test results presented in Table 2, the dividend policy variable in moderating the relationship between company growth and company value has a t-calculated value < t-table, where t-calculated is 0.1318 and t-table is 1.99547, so the t-calculated value < the t-table value because $0.1318 < 1.99547$. With a significance level of 0.8955, which is greater than 0.05, it is concluded that dividend policy cannot moderate the relationship between company growth and company value, or hypothesis 5 is rejected.

Correlation Coefficient Test

Based on the test results shown in Table 4.2, it can be seen that the correlation coefficient (r) value is 0.4113 or 41.13%. This means that the independent variable has a moderate and direct relationship with the dependent variable. This indicates that if there is a change in one variable, it will be accompanied by a change in the other variable.

Determination Coefficient Test

Based on the results of the test conducted in Table 4.2, the coefficient of determination (r^2) value is 0.1691. The value of 0.1691 or 16.91%. This means that the influence of the independent variable, company growth, on the dependent variable, company value, is 16.91%, while the remaining 83.09% is influenced by other variables besides company growth.

Discussion

The Relationship Between Company Growth and Company Value

Company growth has a negative impact on company value in the IDXINDUST index, meaning that if company growth increases, company value tends to decrease. The industrial sector with high company growth rates requires a lot of capital for investment, and the industrial sector is also cyclical, which reduces the direct impact of its growth. Investors will be concerned about the sustainability and efficiency of growth, especially if it is not followed by increased profitability, and this can weaken equity.

The results of this study are not relevant to the signaling theory used as a reference. Growing companies are seen as a positive signal because they are considered to be expanding and have the potential to improve their operational results, so investors consider the company to have good prospects. Additionally, the results of this study are not in line with previous research by Wahyuni & Gani (2022) which states that good asset growth provides a positive signal for company value.

The results of this study are relevant to growth theory, which explains that high growth causes an increase in funding requirements, so growing companies are expected to improve their capital structure (Ayuningrum, 2017). This study is also in line with previous research conducted by Olii et al. (2021) which states that company growth does not have a significant effect on company value because high growth also means high operational costs, which means more funds are needed for expansion.

Other previous studies supporting this research were conducted by Fajriah et al. (2022), Irawati et al. (2022), and Putri et al. (2023), who stated that company growth does not affect company value.

The Relationship Between Company Growth and Profitability

Company growth has a significant positive effect on profitability, explaining that higher company growth, such as an increase in total assets, can be a positive signal to investors that the company has good prospects for the future. The industrial sector has a high level of company growth, which is characterized by a massive increase in assets, indicating that the company is expanding. This increase in assets is utilized to expand the company's production capacity, resulting in increased profitability from the company's operations. This then becomes a positive signal to investors regarding the company's performance.

The results of this study are relevant to signaling theory, which states that high company growth will increase profitability. Overall, growth acts as a signal that informs external parties that the company is healthy and likely to generate higher profits.

The results of this study are supported by previous research conducted by Ihwandi & Rizal (2017), Triyani et al. (2018), Isgiyarta & Aryani (2020), Subekti & Wardana (2022), and Mansikkamäki (2023) which state that company growth has a positive and significant relationship with profitability.

The Relationship Between Profitability and Firm Value

Profitability has a positive and significant effect on company value because it reflects the company's ability to generate profits from its operational activities. When a company generates profits, it means that the company can manage costs efficiently and generate profits for shareholders, making it more attractive to investors. Higher profits often lead to increased cash flow, which can be used for reinvestment, paying dividends, or reducing debt, all of which contribute to increasing the company's overall value.

The results of this study are relevant to signaling theory, where profitability serves as an important signal to the market about the quality of the company and its future prospects. Investors rely on observable indicators such as profit levels to make assessments. Strong profit performance indicates that management is competent and the company is likely to continue generating high profits in the future.

The findings of this study are supported by previous research conducted by Chusnitah & Retnati (2017), Ramdonah et al. (2019), Naelly & Mustafa (2020), Salim & Susilowati (2020), Nugraha & Wirama (2021), and Wahyuni & Gani (2022), which state that profitability has a positive and significant relationship with company value.

Profitability as a Mediator in the Relationship between Company Growth and Company Value

Profitability can mediate the effect of company growth on company value because growth alone does not directly increase a company's market value. When a company grows, it expands its sales, assets, or operations, but these activities need to be managed well to create real value. Profitability acts as a bridge by showing that growth is managed efficiently and generates profits. If growth results in higher profits, this indicates that the company is managing its resources well, which in turn increases investor confidence and company value.

The study's findings align with signaling theory in that profitability functions as an indicator for investors evaluating the sustainability of a company's growth, thereby enhancing its value. Strong profit performance reflects effective management and a solid financial foundation, which narrows informational gaps and reduces uncertainty. This, in turn, motivates investment and drives up the firm's value..

The results of this study are supported by previous studies conducted by Ayuningrum (2017), Triyani et al. (2018), (Nugroho & Halik, 2021), and (Akhmadi, 2023), which state that profitability can mediate the relationship between company growth and company value.

Dividend Policy as a Moderator in the Relationship between Company Growth and Company Value

Dividend policy cannot moderate the influence of company growth on company value, explaining that the relationship between growth and value is influenced by many other factors beyond dividend distribution decisions. Companies can reinvest profits to support growth rather than pay dividends, whereby dividend policy does not significantly affect how growth impacts company value.

This study aligns with previous research by Ivani & Efendi (2024), which states that dividend policy does not influence how the market evaluates growing companies. Since dividend policy tends to be more conservative with a low dividend payout ratio (DPR), companies can retain more profits for growth and development. Another study by Aditia et al. (2024) found that When a company is in a high-growth phase, dividend distributions may decline or be suspended altogether. In such cases, the profits generated are often reinvested back into the business—either to fund ongoing operations or to support sustainability initiatives—instead of being paid out to shareholders.

These results are also supported by research conducted by Belinda & Dewi (2023) and Winnie & Sufiyati, (2024), which states that dividend policy is unable to moderate the influence of company growth on company value.

CONCLUSION

Based on the results of tests and data analysis from industrial sector companies listed on the IDX for the period 2018–2023, It can be concluded that company growth has a negative impact on company value because high company growth requires large amounts of capital, so companies prioritize their funding needs for expansion, and shareholders are given less priority, resulting in reduced investor confidence. This study shows that the signal theory remains relevant in explaining how company growth affects profitability. High company growth is a positive signal that the company is able to utilize its expansion and asset expansion for the benefit of the company's operations so that it is able to generate profits. These high profits will give the impression that the company has good prospects for investors to invest their capital.

Profitability has a positive and significant effect on company value. This relationship is in line with signaling theory, whereby profitability helps bridge the information gap between internal company stakeholders and external parties, in this case investors, to enable more efficient capital allocation and improve company valuation. High profitability indicates that a company generates strong revenue and manages its resources effectively, which attracts investor confidence and increases market valuation. Profitability also mediates the impact of company growth on company value, underscoring that growth alone is insufficient; profitability serves as a crucial link that strengthens investor confidence and drives increased company value in the competitive industrial sector market. Dividend policy is unable to moderate the relationship between company growth and company value, where in the industrial sector, growth often involves long-term asset investment, investors prioritize cash flow stability and reinvestment efficiency over short-term payments.



Company managers in the industrial sector must critically reevaluate their growth strategies. Growth strategies in capital-intensive industrial sectors may not create value if companies prioritize expansion over profitability or operational efficiency. Managers should prioritize quality growth over quantity, focusing on investments that improve asset utilization, margins, or market position rather than simply scale. The scope of this study is limited to industrial sectors listed on the Indonesia Stock Exchange during the period 2018-2023. Therefore, the results of this study do not cover all companies in Indonesia, and there are many other variables that influence company value beyond those examined in this study. For future researchers, it is recommended to expand the research sample area to include other sectors and extend the research timeframe to obtain broader coverage. Additionally, researchers may consider adding or replacing variables or measuring other variables that influence company value.

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