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The Role of Profitability and Dividend Policy in Mediated and Moderate the Company Growth Relationship with Firm Value (Case Study on Registered Insurance Sub-Sector Company On The Indonesia Stock Exchange Period 2015 – 2021)

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ABSTRACT

This study aims to determine the effect of Company Growth proxied by Earnings Growth (X) on Firm Value proxied by Price to Book Value (Y) through Profitability proxied by Return on Asset (Z) as a mediating variable and Dividend Policy proxied by Dividend Payout Ratio (M) as a moderating variable in Insurance Sub-Sector Companies listed on the Indonesia Stock Exchange for the period 2015 - 2021. The population used in this study were all Insurance Sub-Sector companies listed on the Indonesia Stock Exchange for the period 2015 - 2021. The sample of this study amounted to 11 companies from 14 total populations using purposive sampling method. The data analysis technique used in this research is Partial Least Square with the help of SmartPLS 3.0 software. The results of this study indicate that: (1) Company Growth has a positive and significant effect on Profitability, (2) Company Growth has no effect on Firm Value, (3) Profitability has a positive and significant effect on Firm Value, (4) Profitability is able to mediate the relationship between the effect of Company Growth on Firm Value, (5) Dividend Policy is unable to moderate the relationship between the effect of Company Growth on Firm Value.

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1. INTRODUCTION

Problems in human needs that occur indirectly or directly are caused by rapid economic development. In overcoming and facing the risks arising from the unpredictable progress of the times, business people and individuals must guarantee their lives, health, and property. Insurance companies are companies engaged in insurance services with the mechanism of someone binding themselves to the company to obtain future protection for their lives, health, and property. Insurance companies in Indonesia are growing and perform a crucial function in the framework of national development and the creation of economic stability in Indonesia. This can be seen from the contribution of insurance companies in obtaining and cultivating long-term funds in a large enough amount. Then, the funds are channelled to the government to carry out national development. Data obtained from the

Indonesian Life Insurance Association (AAJI) shows that the total revenue of the life insurance industry has increased by 11.9% from IDR 215.44 trillion in 2020 to IDR 241.17 trillion in 2021.

In addition to obtaining high income or profit, optimizing firm value is another goal of an entity or company, which can be done by increasing the wealth of investors or shareholders. The firm's value is described through signals in the manner of information acquired by the investors themselves. The information obtained includes a company's share price, investment activities, and funding decisions. In this study, the focus of measurement used in assessing the company is to use the Price to Book Value (PBV) ratio. PBV is a ratio widely used by world securities in analyzing financial statements, where PBV can reflect an asset or net worth owned by the company. PBV is widely used because it has advantages, namely being able to signal to investors regarding the shares invested in a company, whether it is of high or low value.

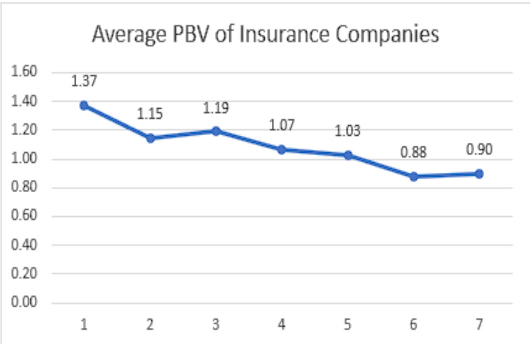

Figure 1. Average PBV Chart

The chart shows that the PBV ratio has decreased significantly for four years, namely 2016, 2018, 2019, and 2020, which can be concluded that for seven years, the PBV of insurance companies has decreased more, which in this case is inversely proportional to insurance premiums or insurance company revenues which have increased significantly in the same period. So, from this business phenomenon, it can be studied more deeply whether the problems that occur in insurance companies can be affected by company growth. In several previous studies, some several results or opinions show that rising company growth can increase the stock price of the corporation. The findings of the conducted research by [1] in Nigeria, [2] in Canada, and [3] in China show the results that company growth exerts a substantial beneficial influence on business value. However, according to research conducted by [4] in Indonesia, company growth significantly negatively impacts firm value.

From the data above, there is a gap between the increasing growth and development of insurance companies in Indonesia and the valuation of the company. According to the narrative of the average PBV of insurance companies for seven years, it illustrates that PBV has decreased significantly, which is inversely proportional to the increasing income or growth of insurance companies. From this, it can be concluded that there is a problem that occurs in insurance companies, where the problem occurs because there is a mismatch between revenue growth and a decline in the valuation of insurance firms, which causes a gap in research.

The research the objective of this study is to ascertain how to increase the PBV ratio to align with the increase in insurance premiums carried out by analyzing the company's financial statements and overcoming the research gap. From the business phenomenon and the gap above, company growth is not enough to represent the firm's value. Therefore, to overcome this, this study adds profitability as an intervening variable that is considered capable of mediating the correlation between the company growth variable and the company value variable. Profitability can be the center of attention of various parties, especially external parties because profitability can show the firm's capacity to produce earnings within a designated timeframe. This profit will be a signal in fulfilling obligations to investors. Apart from adding profitability as an intervening variable, this analysis additionally incorporates dividend policy as a moderating variable. Dividend distribution or payment is needed to inform about the favorable conditions that occur within the company.

With increasing profitability and the right dividend policy, it will be a signal for investors to make investment decisions apart from looking at the aspect of company growth. So, an increase in company growth, profitability, and dividend policy can increase firm value because it has a positive signal, especially the PBV ratio. Therefore, from this research model, a research title can be created, namely "The Role of Profitability and Dividend Policy in Mediating and Moderating the Relationship Between Company Growth and Firm Value".

2. LITERATURE REVIEW

2.1 *Signaling Theory*

Signalling theory elucidates how corporations ought to communicate with investors as consumers of financial statements. [5] define a signal as an action or action taken by a company to provide clues for investors concerning management's perception on the company's outlook. According to [6], signal theory means giving a signal, the sender (information owner) endeavours to furnish pertinent and precise information for the recipient's utilisation it. Signal theory strongly emphasizes the significance of information disseminated by corporations to external entities involved in investment decision-making. In other words, this signal theory seeks to diminish information imbalance between the organisation and external entities. This difference in information can occur due to different knowledge about something or views. According to [7], investors will use announcement information to help them make investment decisions, where the announcement can contain positive or negative signals.

2.2 *Firm Value*

Firm value represents an investor's assessment or perspective of a firm, frequently associated with the stock price [8] because the more the stock price, the bigger the firm's value. The stock price is formed by investor supply and demand, which can be used to assess the company. Firm value is significant and is considered by investors because company value can reflect the prosperity of shareholders or investors. When the firm's value increases, the public sees that the company's performance exhibits favourable prospects, and its primary objectives can be attained by augmenting the owner's involvement or shareholder's prosperity.

Because the Price to Book Value (PBV) ratio is widely used by securities analysts to estimate future stock prices, the firm value in this study is proxied by this ratio. It is the central aspect of investors in considering their investment. PBV can be calculated with the following formula:

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

Source: [5]

2.3 *Company Growth*

Company growth is one of the targets that must be achieved in global economic conditions. Company growth is the result of investment decisions. Growth is defined as how much the company can join the financial system as a whole or for the same industry [9]. Company growth is an opportunity for the company to develop in the future. Growth potential is different for each company, as can be seen from other financial managers making spending decisions. Earnings growth is measured using the growth ratio by describing the percentage change in company profits in each period. This ratio can indicate the company's ability to maximize net income in the previous year. Earnings growth may be determined utilising the subsequent formula:

$$\text{Earnings Growth} = \frac{\text{Net Income}_{\,\mathrm{n}} - \text{Net Income}_{\,(\mathrm{n}-1)}}{\text{Net Income}_{\,(\mathrm{n}-1)}}$$

Source: [10]

2.4 *Profitability*

Profitability is a company's expertise in managing its resources to generate profits that the company can recover. Profitability can be measured using financial ratios, and the greater the company's profitability level, the more information is available about the business [11]. Profitability shows how a firm can earn profits through sales, assets, and capital. Profitability is significant to ensure the survival of the company's long-term performance can indicate its future potential. Profitability in this study is proxied by the ROA ratio. This ratio is after-tax income or net income available to investors or company owners on the capital they invest in the business. ROA can be computed using the subsequent formula:

$$\mathrm{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Source: [12]

2.5 *Dividend Policy*

The Dividend policy constitutes a component of the company's investment decision. It must consistently distribute dividends as evidence to investors who have invested their funds to buy company shares and want to get the expected results [13]. Dividend payments can also be increased to optimize the company's position in generating more money in the capital market. Increasing dividends also fulfill investors' ambitions, who prefer dividend distribution over capital gains [14]. The proxy for dividend policy used in this study is the Dividend Payout Ratio (DPR) because the DPR ratio is more able to explain managerial opportunistic behavior in real terms, namely by looking at how much profit is given to shareholders as dividends and how much profit is allocated by the company as retained earnings [15]. DPR can be computed using the subsequent formula:

$$\mathrm{DPR} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

Source: [16]

2.6 *Hypothesis Development*

H_1 : The higher the company growth, the higher the Profitability.

H_2 : The higher the Company Growth, the Higher the Firm Value.

H_3 : The higher the Profitability, the Higher the Firm Value.

H_4 : Profitability Mediates the relationship between Company Growth and Firm Value.

H_5 : Dividend Policy Moderates the relationship between Company Growth and Firm Value.

3. RESEARCH METHODS

This study uses a type of causality research (associative-causal), where according to [17], causality research is a type of research that aims to explain how various variables, ideas, or strategies developed in management relate to each other. This study employed a non-probability sampling strategy utilising a purposive sampling method. According to [17], purposive sampling is a sampling technique based on criteria that the researcher has determined and considered. The rationale for employing purposive sampling techniques is that not all samples meet the established criteria that match what will be done in the study. In this study, the selected sample is companies that are members of the insurance sub-sector for the 2015-2021 period and meet predetermined criteria. There are 11 firms chosen as research samples, the company samples are as follows:

Table 1. List of Research Samples

No.	Company Name	Code
1.	Asuransi Bina Dana Arta Tbk.	ABDA
2.	Asuransi Multi Artha Guna Tbk.	AMAG
3.	Asuransi Bintang Tbk.	ASBI
4.	Asuransi Dayin Mitra Tbk.	ASDM
5.	Asuransi Ramayana Tbk.	ASRM
6.	Lippo General Insurance Tbk.	LPGI
7.	Mandala Multifinance Tbk.	MFIN

No.	Company Name	Code
8.	Maskapai Reasuransi Indonesia Tbk.	MREI
9.	Paninvest Tbk.	PNIN
10.	Panin Financial Tbk.	PNLF

This research utilises secondary data sources. According to [17], Secondary data refers to information gathered by entities other than the researchers, intended for purposes distinct from the current study, for example, through other people or documents. In this study, the data was obtained from the Annual Report, Annually Statistics, and Factbook published by the Indonesia Stock Exchange (www.idx.co.id) and the official website of the listed company. The data collection method used in this research is documentation research. The documentation method in this study was carried out by collecting historical data on financial reports that have been processed, audited, and published to provide the information needed in the study.

Descriptive statistical analysis offers a summary of data through metrics such as mean, standard deviation, variance, maximum, minimum, total, range, kurtosis, and skewness (skewness of distribution). This analysis does not intend to test hypotheses because this analysis is a descriptive method that provides information about existing research data [18]. Descriptive statistical analysis in this study was used to compute the minimum value, maximum value, mean value, and standard deviation.

The inferential analytical method employed in this study is Partial Least Squares (PLS), with data processed using SmartPLS software version 3.0. This approach serves as an alternative to variant-based SEM and offers the benefit of being estimable with a limited sample size [19]. According to [20], the inner model which is usually also called the inner relation, structural model, and substantive theory delineate the connection among latent variables grounded in substantive theory. The structural model can be assessed for dependent constructs with R-Square, the Stone-Geisser Q-Square Test for Predictive Relevance, and the t-test alongside the significance of the structural path coefficient.

4. RESULT AND DISCUSSION

4.1 Results

a. Descriptive Statistics Results

Table 2. Descriptive Statistics Results

Variable	Mean	Median	Min	Max	Std. Deviation
Earnings Growth	13.82	0.12	-71.45	452.39	69.94
ROA	3.99	3.58	0.6	10.35	2.54
PBV	0.98	0.73	0.03	4.05	0.91
DPR	21.28	17.15	10	89.92	19.84

Source: Output SmartPLS 3.0

Figure 3 above shows the mean (average value), median (middle value), minimum, maximum, and standard deviation of the 77-observation data in this study processed using SmartPLS 3.0 software. According to the observations and computations conducted over seven years, it is evident that Company Growth with the proxy for Earnings Growth, the minimum value is in Victoria Insurance Tbk. (VINS) of -71.45% in 2020. Meanwhile, the maximum value of Profit Growth is found in the same company, namely Victoria Insurance Tbk. (VINS) of 452.39% in 2019.

Based on the results of the figure above, the minimum value of Profitability proxied by Return on Asset (ROA) is in the Multi Artha Guna Tbk. (AMAG) Insurance company of 0.6% in 2018. Meanwhile, the maximum ROA value is found in the Mandala Multi Finance Tbk. (MFIN) company of 10.35% in 2017.

According to the outcomes depicted in the above image, the Company Value is proxied by Price to Book Value (PBV) the minimum value is in the Panin Financial Tbk. (PNLF) company of 0.03x in 2020. While the maximum PBV value is in the Bina Dana Arta Tbk. (ABDA) Insurance company of According to the results presented in the preceding figure, the minimum value of Based on the results of the table above, the Dividend Policy proxied by the Dividend Payout Ratio (DPR), the minimum value is in the company Mandala Multi Finance Tbk. (MFIN) of 10.00% in 2015. Meanwhile, the maximum DPR value is found in the Dayin Mitra Tbk. (ASDM) Insurance company of 89.92% in 2021.

b. Inferential Statistics Results

1. R-Square (R^2)

Table 3. R-Square Results

	R-Square	R-Square Adjusted
Firm Value	0.148	0.101
Profitability	0.104	0.092

Source: Output SmartPLS 3.1

The figure shows that firm value variable possesses an R-Square value of 0.148, equivalent to 14.8%, indicating that the company value variable in this study influences 14.8%. Other variables influence the remaining 85.2%. Furthermore, the profitability variable has an R-Square value of 0.104 or 10.4%, which means that the profitability The variable in this study accounts for 10.4%, whereas the remaining 89.6% is affected by additional variables not examined. Both R-Square values in this study are included in the low correlation level but are still suitable for further testing because the value is above 0.1 or 10% [21].

2. Q^2 Predictive Relevance

This study presents the results of the Q^2 computation:

$$\begin{aligned} Q^2 &= 1 - (1 - R1^2)(1 - R2^2) \\ &= 1 - (1 - 0{,}148)(1 - 0{,}104) \\ &= 1 - (0{,}852)(0{,}896) \\ &= 1 - 0{,}76339 = 0{,}236608 \\ &\quad \text{atau } 0{,}237 \end{aligned}$$

The result of the Q^2 calculation in this study is 0.237 or 23.7%, indicating that this study model is capable of elucidating and predict the information contained in this study by 23.7%. Thus, the observation data in this study is good because it has predictive relevance and will have a valid predictive value.

3. Direct Effect (Hypothesis Test)

In SmartPLS 3.0 software, this hypothesis test is carried out through bootstrapping with a two-tailed type and a significance level of 0.05 or 5%. The subsequent outcomes of the hypothesis test analysis in this study are presented:

Table 4. Hypothesis Test Results

	Original Sample	Standard Deviation	T-Statistics	P-Values
Company Growth -> Profitability	0.322	0.086	3.752	0
Company Growth -> Firm Value	-0.141	0.133	1.055	0.292
Profitability -> Firm Value	0.374	0.114	3.266	0.001
X*M -> Firm Value	-0.009	0.119	0.079	0.937

Source: Output SmartPLS 3.0

The research findings derived from the results depicted in the above figure are as follows:

Company Growth on Profitability has a positive relationship direction this is corroborated by a T-Statistics value exceeding the T-Table (3.752> 1.666) and has a strong level of significance (P-Values / 0.000 <0.05). From these results, It can be inferred that Company Growth has a significant positive effect on Profitability, which means that the higher the Company Growth, the higher the Profitability.

Company Growth on Firm Value has a negative relationship direction by having a T-Statistics value smaller than the T-Table (1.055 < 1.666) and has P-Values more than the specified significance level (0.292 > 0.05). From these results, it can be concluded that Company Growth has no positive effect on Firm Value.

Profitability on Firm Value has a positive relationship direction and is supported by a T-Statistics value more significant than the T-Table (3.266> 1.666) and has a strong level of significance (P-Values/0.001 <0.05). The results indicate that Profitability exerts a strong positive influence on Firm Value, signifying that increased Profitability correlates with elevated Firm Value.

Dividend Policy is not able to moderate Company Growth on Firm Value (X*M) because it has a negative relationship direction by having a T-Statistics value smaller than the T-Table (0.079 < 1.666) and has P-Values more than the specified significance level (0.937 > 0.05). In this case, the Dividend Policy includes a potential moderation type (homologizer moderator). From these results, it can be determined that the Dividend Policy cannot mitigate the relationship between Company Growth and Firm Value.

4. Indirect Effect (Mediation Test)

Table 5. Mediation Test Results

	Original Sample	Standard Deviation	T-Statistics	P-Values
Company Growth -> Profitability -> Firm Value	0.12	0.053	2.271	0.024

Source: Output SmartPLS 3.0

Based on the results of the table above, it can be concluded that **Profitability is able to mediate the relationship between Company Growth and Firm Value**. By having a T-Statistics value greater than the T-Table (2.271> 1.666) and having a strong level of significance (P-Values/0.024 <0.05). In this case, intervening in this study is categorized as full mediation, where Profitability makes a positive significant mediating effect indirectly on Company Growth to Firm Value.

4.2 Discussion

Based on the research that has been conducted and reviewed from the results of data processing related to the title and research hypothesis in this study, there are several things that can be explained as follows:

a. The Effect of Company Growth (Earnings Growth) on Profitability (ROA)

The test results that have been carried out using partial hypothesis testing show that the Company Growth variable proxied by Earnings Growth has a positive and significant effect on Profitability proxied by ROA. These results align with signal theory, where high company growth can increase Profitability. With good company growth through increased profits, it will be considered essential information by investors to allocate capital in the company, investors will indicate that with profit growth, Profitability will also increase indirectly. From this, investors get a positive signal from the company's ability to increase its earnings growth and hope that in the future, the profit will increase further through the use of its assets because it can increase the company's productivity in managing and generating greater profits and from this it will increase the profitability ratio because the higher the company's growth, the higher the Profitability.

These results follow previous research used as a reference, namely research by; [22]–[26] which state that company growth has a significant positive effect on profitability, because company growth is vital for companies to obtain profitability, with growth it can increase profits and company assets efficiently which can optimize the company's operational performance.

b. The Effect of Company Growth (Earnings Growth) on Firm Value (PBV)

The test results that have been carried out using partial hypothesis testing show that the Company Growth variable proxied by Earnings Growth has no significant effect and has a negative relationship direction on Firm Value with PBV proxy. These results do not align with the hypothesis proposed because, this study indicates that company growth does not significantly impact firm value. In this scenario, firms exhibiting elevated growth rates will encounter a decline in their value, and vice versa, because of the negative direction of the relationship in this hypothesis. High growth can cause the company's need for funds to increase because the higher the company's growth, the higher the funds needed and provided for investment, both funds sourced from within the company and outside the company. A growing company uses more of its profits for investment or operational activities rather than distributing dividends to investors, so investor decreased interest in investing in the company will adversely impact its value, one of whose proxies, namely PBV, will decrease and its share price will be undervalued.

This research follows research conducted by [27]–[29], which indicate that corporate expansion has no substantial positive impact on firm value. Because the high level of company growth will result in higher operational costs to manage company activities, the company will prioritize business development more than shareholder welfare.

c. The Effect of Profitability (ROA) on Firm Value (PBV)

Through the test results that have been conducted utilising partial hypothesis testing, the results show that the Profitability variable proxied by ROA exerts a favourable and substantial influence on Firm Value as indicated by PBV. These results align with signal theory, where increased profitability can increase company value because a high level of profitability can be a positive signal (good news) for investors that the company has good performance in earning profits, which will increase firm value. High profitability can be caused by exemplary performance achievements, which attract public attention. This is because profitability is a benchmark or reflection of investors' assessment of the company, measured by how much profit the company makes. Profitability in the company itself can be used as an evaluation tool for the effectiveness of management and use of assets in carrying out its operational activities.

These results following previous research used as a reference, namely research by; [11], [30]–[33] which state that profitability has a significant positive effect on firm value because companies with high profitability levels will obtain sufficient capital so that company performance will be optimal and have a direct impact on increasing company value. That high profitability can make investors interested in investing their capital to get a significant return.

d. The Effect of Company Growth (Earnings Growth) on Firm Value (PBV) with Profitability (ROA) as an Intervening Variable

The results of the intervening test conducted through SmartPLS bootstrapping show that Profitability proxied by ROA can fully mediate the relationship between Company Growth proxied by Earnings Growth and Firm Value proxied by PBV. These results strengthen signal theory, which can respond to various information related to the company's financial performance, such as company growth and profitability, both can provide positive information/signals to the firm's value. Thus, if the company obtains a high-profit level and utilizes its assets optimally, it is considered reasonable by investors, because investors will capture this information as a positive signal for them to invest in the company. The company's growth rate is positively correlated with the capital required for investment, so the company must obtain more significant profits.

These results follow previous research that is used as a reference, namely research by; [27], [34]–[37] which states that profitability can mediate the effect of company growth on firm value, following signal theory the rate of return on overall total assets and high profits is a positive signal for the market and potential investors. Potential investors interpret this condition that the company has good performance as evidenced by high profitability. This condition will impact the increasing demand for shares in the company so that the company value also increases.

e. The Effect of Company Growth (Earnings Growth) on Firm Value (PBV) with Dividend Policy (DPR) as a Moderating Variable

Through the test results that have been carried out using partial hypothesis testing, the results show that the Dividend Policy variable proxied by DPR is not able to moderate the relationship between Company Growth with proxy Earnings Growth on Firm Value proxied by PBV and has a negative relationship direction, in this case, the Dividend Policy includes a potential moderation type (homologized moderator). These results indicate that if the company's growth increases, the dividend distribution is shallow or even nonexistent. This can happen if the company experiences high growth, but the results of this growth are used more to invest in the company's operations (retained earnings) or implement sustainability programs compared to distributing dividends to shareholders. Because companies that experience growth will require more capital for their operational continuity for their long-term sustainability, companies will use internal or external funds to support their growth, especially internal funds (profits earned on growth), which will be used more because they minimize risk than external funds.

This research follows research conducted [38], which indicates that dividend policy does not influence moderating the effect of company growth on firm value. The profit growth that the company manages to obtain is utilized to carry out investment or business expansion activities (retained earnings) so that the company does not distribute dividends to shareholders, this will put the company's internal funds in a safe condition because they are not used to make dividend payments so that future investment activities will continue to run with the encouragement of internal funds. Thus, the company can maximize future opportunities to generate greater profits.

5. CONCLUSION AND IMPLICATION

5.1 Conclusion

This study seeks to ascertain and gather empirical evidence regarding "The Role of Profitability and Dividend Policy in Mediating and Moderating the Relationship between Company Growth and Firm Value". In light of the research findings and discourse, the following conclusions can be drawn:

a. **Company Growth has a significant positive effect on Profitability**

These results illustrate that high Company Growth generated by the company will increase Profitability due to increased profits and optimal asset utilization in supporting company performance. This is in line with signal theory, which explains how a company issues signals as financial data elucidating the company's fiscal performance.

b. **Company Growth has no significant effect on Firm Value**

These results illustrate that when the company experiences rapid growth, it will require more significant funds to manage operations and investment, consequently, the corporation will opt to preserve profits rather than pay dividends to shareholders. This will change investors' opinion not to invest their capital and is indicated as bad news and does not trust the company. So that from this will impact the firm's value, which has decreased because investors are not interested in the company's shares.

c. **Profitability has a significant positive effect on Firm Value**

These results illustrate that high profitability can increase Firm Value, and investors will respond this as a positive signal. A corporation exhibiting substantial profits signifies strong performance. The elevated demand for shares will influence their value company because good performance shows good prospects for investors.

d. **Profitability as an intervening variable is able to mediate the effect of Company Growth on Firm Value**

These results illustrate that profitability can fully mediate the effect of company growth on firm value. Growing companies will require more considerable funds than companies that have not grown. A greater profit growth ratio indicates a more favourable position for a corporation. because profits have increased. High profitability is a company's success in earning profits.

e. **Dividend Policy as a moderating variable is not able to moderate the effect of Company Growth on Firm Value**

These results explain that dividend policy cannot be a moderating variable between company growth and firm value. This can happen if the company experiences high growth, but the results of this growth are used more to invest in the company's operations (retained earnings) or implement sustainability programs than to distribute dividends to shareholders. From this, the company has yet to be able to optimize its value because it focuses more on improving company performance first, and investors will interpret this as negative information.

5.2 *Implication*

a. Theoretical Implication

According to the performed research, the findings of this study can strengthen the signal theory as a theoretical basis in this study. In particular, the relationship between company growth and profitability can positively increase firm value. Apart from the signal theory confirmed in this study, looking at the Adjusted R-Square value obtained from the results of this study of 0.101 or 10.1%, which means that only 10.1% this analysis can elucidate the company's value. Given the established findings, researchers aspire for future studies to explore more sub-sectors as subjects of investigation, thereby enhancing diversity across various times and employing alternative variables that can more comprehensively assess company worth, ultimately aiming to develop new models and more robust empirical evidence than this study.

b. Managerial Implication

The research results show that there are steps to increase firm value, namely by increasing the company's profitability, which, if the company is experiencing profit growth and then followed by an increase in profits, can increase the company's value. However, on the other hand, if the company experiences profit growth and allocates the profit to distribute dividends, it will reduce the company's value. Investors in this case think more long-term by seeing the company's prospects in the future will be better than before, because it is indicated that an increase in profit can increase market value, not by distributing dividends. Investors, in this case, prefer and focus more on companies that use their profits for the sustainability of the company in the future, which are used as funds for useful sustainability programs and business expansion or reinvestment.

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