



The Effect of Stock Split Decisions and Dividend Policy on Profitability with Firm Value as an Intervening Variable (a Case Study at PT Bank Mandiri Tbk)

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ABSTRACT

This study examines the effect of Stock Split Decisions and Dividend Policy on profitability, with Firm Value as an intervening variable, focusing on PT Bank Mandiri Tbk. The research aims to determine whether corporate financial policies influence firm value and profitability, and whether firm value serves as a significant mediator in this relationship. A quantitative approach was employed to test the direct and indirect effects of stock split and dividend policy on firm performance. The results indicate that Stock Split Decisions do not significantly affect firm value, whereas Dividend Policy has a strong and significant effect, highlighting the importance of consistent dividend strategies in enhancing firm value. Regarding profitability, Firm Value does not have a significant impact, while Stock Split Decisions significantly improve profitability. Dividend Policy does not have a direct significant effect on profitability, suggesting that stock split decisions are more effective in enhancing short-term operational performance than dividend policies. Finally, the mediating role of Firm Value was not supported. Both stock split decisions and dividend policy influence profitability directly, without relying on firm value as an intermediary. This emphasizes the importance of implementing financial strategies that directly enhance operational outcomes

INTRODUCTION

In an increasingly competitive capital market era, public companies are required to maintain stable financial performance and attract investor interest through various corporate strategies. One such strategy is the stock split decision, which involves splitting the nominal value of shares and is often considered capable of enhancing stock liquidity and broadening the investor base. Furthermore, dividend policy also plays a crucial role as a signal of financial health and a distribution of profits to shareholders. The combination of stock splits and dividend policy is expected to influence a company's profitability, both directly and through the market's perception of firm value as an intervening variable.

Profitability is a primary measure that reflects a company's ability to generate profit from its operational activities. Companies with high profitability tend to have more resources to support strategic decisions like stock splits or dividend payments. However, this relationship is not always straightforward, as investor perception of corporate policies also determines how firm value is shaped and how it impacts long-term profitability. Therefore, an in-depth analysis is necessary to map not only the direct effects but also the indirect effects through firm value as an intervening variable. (Shabira & Hidayati, 2025)

Several empirical studies have examined the relationship between profitability, dividend policy, and firm value. For instance, a study by (Kartini & Wirajaya, 2025) found that profitability and sales growth positively affect firm value through the mediation of dividend policy in Indonesian energy sector companies (Udayana University Journal). Furthermore, another study in the financial sector found that profitability and dividend policy simultaneously have a significant influence on firm value, although the direction and magnitude of the effect can differ depending on the industrial context and observation period.

In the context of PT Bank Mandiri Tbk, a study on its financial performance before and after a stock split implementation showed no significant difference in ratios such as Return on Equity (ROE), Total Assets Turn Over, and other financial structures between the pre- and post-stock split periods. However, that study did not include an intervening variable like firm value, nor did it incorporate dividend policy into its analytical model. Therefore, this research aims to fill that gap by analyzing the effect of stock split decisions and dividend policy on profitability, with firm value as an intervening variable, specifically at PT Bank Mandiri Tbk. This is expected to provide both empirical and practical contributions to the financial strategy and management of public companies. (N Kalbiyati et al., 2024)

LITERATURE REVIEW

In the increasingly dynamic capital market, public companies are required to implement financial strategies that not only enhance operational performance but also attract investor attention. Among the common strategies is a stock split, which involves dividing a company's existing shares to increase liquidity and broaden shareholder participation. Dividend policy is another key tool, serving as a signal of financial health and stability to the market. Both stock split decisions and dividend policies are believed to influence a company's profitability, either directly or indirectly through firm value as an intervening variable. Understanding these relationships is essential for developing comprehensive financial strategies for public companies.

Profitability is a primary indicator of a company's ability to generate returns from operational activities. Companies with higher profitability typically have more resources to support strategic decisions such as stock splits or dividend payments. However, these relationships are not always straightforward because investor perception of corporate policies also plays a critical role in shaping firm value and its subsequent effect on long-term profitability. Previous studies, such as Kalbiyati et al. (2025), indicated that stock split implementation at PT Bank Mandiri Tbk did not result in significant differences in financial ratios like Return on Equity (ROE) or Total Assets Turnover between pre- and post-split periods. These findings highlight the need to investigate the indirect role of firm value as a mediating variable and to include dividend policy within the analytical framework.

From a theoretical perspective, the signaling theory posits that corporate actions like dividend payments or stock splits communicate management's confidence and future prospects to investors, potentially enhancing firm value. Similarly, agency theory suggests that policies such as dividend distribution and equity structuring help align the interests of managers and shareholders, indirectly influencing profitability. Conceptually, this study hypothesizes that stock split decisions and dividend policy affect profitability both directly and indirectly through firm value. Prior empirical studies support this view: profitability and dividend policy are consistently shown to positively impact firm value, while stock splits often enhance liquidity and investor perception, which can also indirectly improve financial performance.

This research aims to fill existing gaps by empirically testing the effect of stock split decisions and dividend policy on profitability, with firm value as an intervening variable, specifically in the context of PT Bank Mandiri Tbk. By integrating these variables, the study provides a more comprehensive understanding of how strategic financial decisions influence operational performance and market perception. The findings are expected to contribute both empirically and practically: they will offer actionable insights for management in optimizing stock structuring and dividend distribution policies, while also providing investors and stakeholders with clearer guidance for decision-making. Ultimately, this study strengthens the link between financial strategy and company performance, grounded in both theoretical and empirical evidence.

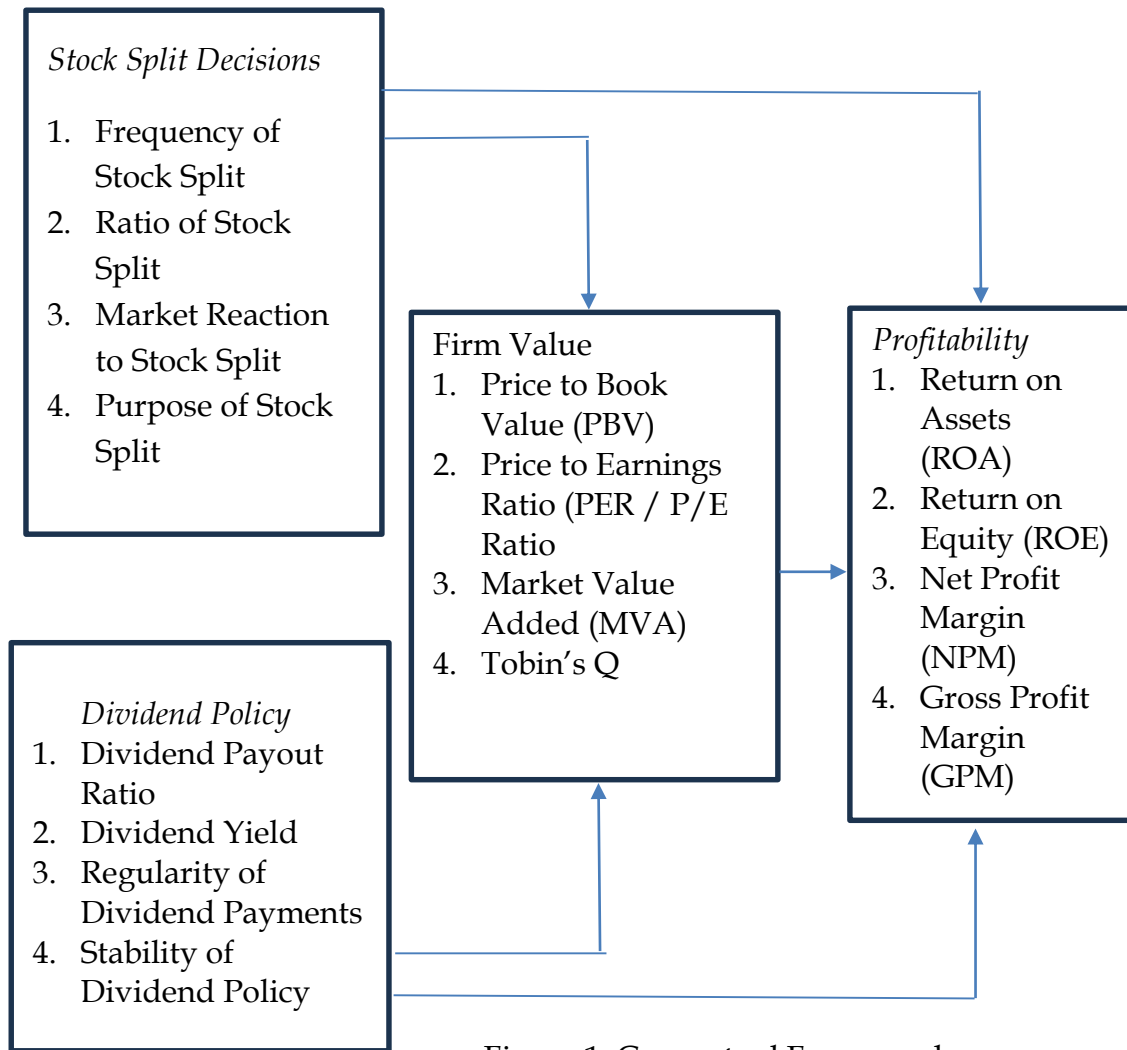


Figure 1. Conceptual Framework

METHODOLOGY

This study uses a quantitative approach with a survey method to analyze the effect of stock split decisions and dividend policy on profitability, with firm value as an intervening variable at PT Bank Mandiri Tbk. This research is descriptive-verify in nature, as it aims to describe the phenomena while simultaneously testing the relationships between variables based on quantitative data obtained from respondents. Primary data were collected through questionnaires distributed to parties directly involved in the company's financial decisions, while secondary data were obtained from financial statements and official company documents.

The total number of respondents in this study is 200, consisting of financial management, investment/treasury managers, and internal analysts/investor relations staff. Financial management includes the finance director or head of the finance division responsible for financial planning, income statements, and dividend distribution policies. Investment/treasury managers are involved in capital management and company stock strategies, including the

implementation of stock splits and investor relations. Internal analysts or investor relations personnel interact with shareholders and market analysts to understand investor perceptions of the company's financial decisions.

Respondent criteria include having at least 2–3 years of experience or knowledge related to financial management and strategic corporate decisions, being directly involved in decision-making or managing information regarding stock splits, dividends, and company performance, and being willing to provide accurate data or information via questionnaires, interviews, or internal documents. Respondents were selected using purposive sampling to ensure that all participants are relevant to the research focus and capable of providing valid information.

The data collected will be analyzed using statistical methods, including instrument validity and reliability tests, descriptive analysis, regression analysis, and path analysis to examine the direct and indirect effects between stock split decisions, dividend policy, firm value, and profitability. This approach is expected to provide a clear empirical picture of the relationships between variables and contribute strategically to company management and other stakeholders.

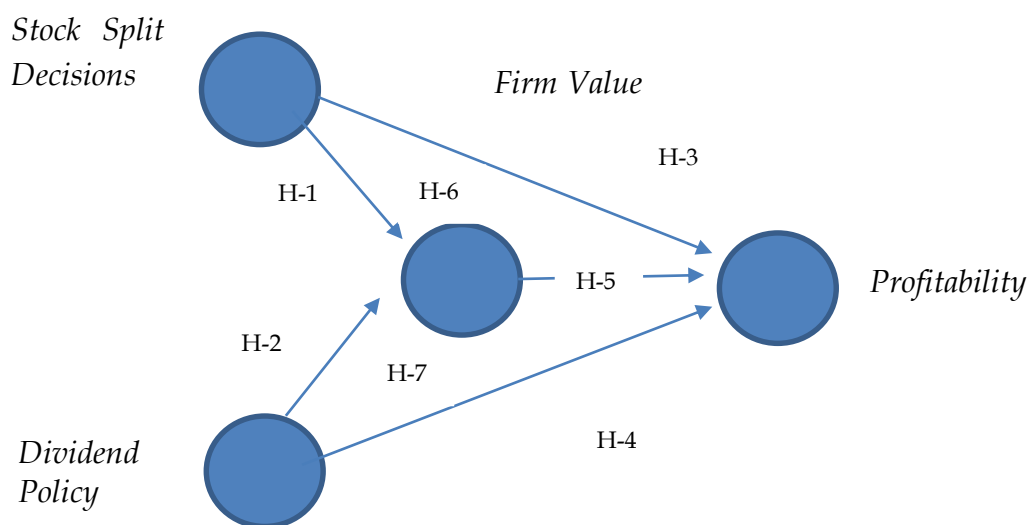


Figure 2. Framework of the SEM-PLS Research Model

RESULTS AND DISCUSSION

Measurement Model Evaluation

This research applies a reflective measurement model to operationalize the latent variables of stock split decisions, *Dividend Policy*, firm value, and profitability. In line with the methodological guidelines proposed by Hair et al. (2021), the evaluation of the model involves a thorough examination of both reliability and validity to ensure the robustness of the constructs. Convergent validity is assessed using multiple criteria: each indicator's loading should exceed 0.70, which indicates a strong relationship between the indicator and its underlying construct. Additionally, internal consistency is verified by ensuring that composite reliability and Cronbach's alpha for each construct are greater than 0.70. Beyond these criteria, the average variance extracted (AVE) is calculated for each construct, with a required minimum value of 0.50, signifying that the construct accounts for more than fifty percent of the variance in its associated indicators. This approach guarantees that the measurement model accurately represents the theoretical constructs under study.

To guarantee the conceptual clarity and distinctiveness of the theoretical constructs, discriminant validity is thoroughly assessed through multiple complementary approaches. One widely recognized method is the Fornell-Larcker criterion, which stipulates that the square root of each construct's average variance extracted (AVE) must exceed its correlation coefficients with all other constructs in the model. This ensures that each construct shares greater variance with its own indicators than with those of other constructs, providing initial evidence of discriminant validity. To reinforce this assessment, the more stringent Heterotrait-Monotrait (HTMT) ratio of correlations is also applied, with recommended thresholds of 0.90 for general validation or 0.85 for more conservative evaluation, ensuring that constructs are empirically distinguishable. By simultaneously satisfying these psychometric conditions, the measurement model demonstrates both statistical adequacy and theoretical soundness, offering confidence in the fidelity of the constructs. This rigorous validation is crucial because subsequent analyses, including path modeling and hypothesis testing, rely on the assumption that each latent variable is measured accurately and uniquely. Consequently, the robustness of the discriminant validity evaluation forms a solid foundation for interpreting causal relationships and drawing meaningful conclusions from the study.

Table 1. Loading Factor

Item	Outer loadings	Description
SSD1 <- SSD	0.891	Valid
SSD2 <- SSD	0.853	Valid
SSD3 <- SSD	0.888	Valid
SSD4 <- SSD	0.805	Valid
DP1 <- DP	0.830	Valid
DP2 <- DP	0.869	Valid

DP3 <- DP	0.870	Valid
DP4 <- DP	0.855	Valid
FV1 <- FV	0.802	Valid
FV2 <- FV	0.889	Valid
FV3 <- FV	0.884	Valid
FV4 <- FV	0.894	Valid
PFT1 <- PFT	0.869	Valid
PFT2 <- PFT	0.869	Valid
PFT3 <- PFT	0.925	Valid
PFT4 <- PFT	0.899	Valid

The measurement model evaluation revealed that all constructs included in the study demonstrated satisfactory validity. Specifically, the Stock Split Decisions construct consisted of four indicators, each meeting the established criteria for validity and demonstrating strong item loadings. Similarly, the Dividend Policy construct was represented by four valid indicators, confirming that each item adequately captures the theoretical dimension of the variable. The Firm Value construct also comprised four indicators, all of which exhibited acceptable validity and effectively reflected the underlying construct. Finally, the Profitability construct was measured using four valid items, ensuring that the operationalization of this variable accurately represents its conceptual framework. Collectively, these results indicate that the measurement model is robust, with all items demonstrating adequate reliability and construct validity. The validation of each item across all constructs provides confidence that subsequent structural model analyses, including hypothesis testing and path coefficient estimation, are based on precise and theoretically sound measurements, thereby supporting the integrity and credibility of the research findings.

Table 2. Outer Loading, Composite Reliability dan Average Varian Extracted (AVE)

	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)
Dividend Policy	0.879	0.916	0.733
Firm Value	0.890	0.924	0.754
Profitability	0.913	0.939	0.794
Stock Split Decisions	0.882	0.919	0.739

The measurement model assessment indicated that all constructs included in the study exhibited satisfactory validity and reliability. The Dividend Policy construct was operationalized using four indicators, all of which were deemed

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valid, with outer loadings ranging from 0.830 to 0.870. The construct also demonstrated strong internal consistency, as reflected by a composite reliability (CR) of 0.879, Cronbach's alpha of 0.916, and an average variance extracted (AVE) of 0.733. Among these indicators, DP3, representing the regularity of dividend payments, showed the highest loading and thus contributed most strongly to the construct. The Firm Value construct similarly consisted of four valid indicators, with outer loadings between 0.802 and 0.894, CR of 0.894, α of 0.924, and AVE of 0.754, with FV4 (Tobin's Q) emerging as the most representative indicator. Profitability was measured with four indicators showing loadings from 0.869 to 0.925, CR of 0.913, α of 0.939, and AVE of 0.794, with PFT3 (Net Profit Margin) identified as the most dominant. Finally, Stock Split Decisions included four valid indicators, outer loadings of 0.805–0.891, CR of 0.882, α of 0.919, and AVE of 0.739, with SSD3 (Frequency of Stock Split) being the most influential. These results collectively confirm the robustness of the measurement model and provide a solid foundation for subsequent structural model analysis

Table 3. Table Fornell dan Lacker

	Dividend Policy	Firm Value	Profitability	Stock Split Decisions
Dividend Policy	0.856			
Firm Value	0.658	0.868		
Profitability	0.595	0.504	0.891	
Stock Split Decisions	0.601	0.486	0.883	0.86

Discriminant validity was assessed using the Fornell-Larcker criterion to ensure that each construct is distinct both theoretically and empirically. According to this approach, the square root of a construct's Average Variance Extracted (AVE) must exceed its correlations with all other constructs in the model, thereby confirming that the construct shares more variance with its own indicators than with those of other variables. The analysis results indicate that the Dividend Policy construct achieved a square root AVE of 0.856, which is substantially higher than its correlations with Firm Value (0.658) and Profitability (0.595). Similar results were observed across all other constructs, demonstrating that each variable maintains sufficient empirical distinctiveness. Collectively, these findings confirm that the discriminant validity criteria are satisfied for all four constructs, providing strong evidence that the measurement model accurately captures the unique conceptual dimensions of Dividend Policy, Firm Value, Profitability, and Stock Split Decisions. This robust discriminant validity strengthens the credibility of subsequent structural model analyses and ensures that the relationships identified among the constructs are not confounded by overlapping measurement.

Structural Model (Inner Model) Evaluation in SEM-PLS Analysis

The structural model evaluation aims to rigorously test hypotheses regarding the relationships among research variables, ensuring that the results are both valid and reliable. This process is conducted through a systematic three-step procedure. The first step involves assessing multicollinearity among

predictors by examining the Inner Variance Inflation Factor (VIF). A VIF value below 5 indicates that multicollinearity is not a concern, while a value exceeding 5 signals high correlations between independent variables, which may distort the estimation of path coefficients and compromise the interpretability of the model (Hair et al., 2021). The second step focuses on hypothesis testing using t-statistics and p-values generated through a bootstrapping procedure with 5,000 subsamples. A t-value greater than 1.96 or a p-value below 0.05 indicates a statistically significant effect, and a 95% confidence interval that does not include zero strengthens the conclusion of significance. The third step evaluates the magnitude of effects using effect size measures. Direct effects are assessed with f^2 , interpreted as small, medium, or large (0.02–0.35), while mediation effects are measured with V, ranging from 0.02 to 0.175 (Hair et al., 2021; Lachowicz et al., 2018; Ogbeibu et al., 2022). By integrating these assessments, researchers can not only determine the significance of relationships but also prioritize strategic interventions based on the relative impact of each variable, offering practical insights for management decisions and policy implementation in organizational contexts.

Table 5. Inner VIF

DP -> FV	VIF
DP -> PFT	1.565
FV -> PFT	2.158
SSD -> FV	1.805
SSD -> PFT	1.565

Before proceeding to hypothesis testing, an essential diagnostic analysis was performed to identify potential multicollinearity among the predictor variables by examining the Inner Variance Inflation Factor (VIF). The analysis revealed that all VIF values were well below the conservative cutoff of 5.0, indicating that multicollinearity is not a concern within the model. This finding confirms that the structural relationships among constructs are not distorted by high intercorrelations, thereby enhancing the reliability and stability of the estimated path coefficients. By ruling out significant collinearity issues, the results derived from the Partial Least Squares Structural Equation Modeling (PLS-SEM) are statistically sound and free from bias. Consequently, the model provides a robust foundation for valid hypothesis testing, ensuring that the interpretations of the structural paths accurately reflect the theoretical relationships among the constructs under study. This rigorous preliminary assessment strengthens the overall credibility of the research findings and supports the integrity of subsequent conclusions regarding the effects of the independent variables on the endogenous constructs.

After completing the data analysis, hypothesis testing was conducted by examining the path coefficients and their statistical significance (p-values) among the study variables. This process aimed to determine the direct and indirect effects of the independent variables on the dependent variable, with particular attention to the potential mediating role of firm value. Specifically, the analysis

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evaluated whether stock split decisions exert a significant direct influence on profitability or whether this effect is transmitted indirectly through firm value as a mediating construct. Similarly, the impact of dividend policy on profitability was assessed to establish whether it has a direct effect or operates indirectly via the mediation of firm value. The significance of the relationships was determined based on the p-values obtained from bootstrapping procedures, with thresholds set at conventional levels to ensure rigorous statistical inference. By systematically analyzing both direct and mediated pathways, the study provides a comprehensive understanding of how strategic financial decisions influence profitability. This approach not only clarifies the mechanisms underlying the relationships among stock split decisions, dividend policy, and profitability but also underscores the pivotal role of firm value as an intervening variable in enhancing financial performance.

Direct effect

H-1: Stock Split Decisions have a significant effect on firm value

H-2: Dividend Policy has a significant effect on firm value

H-3: Firm value has a significant effect on profitability

H-4: Stock Split Decisions have a significant impact on profitability

H-5: Dividend Policy has a significant impact on profitability

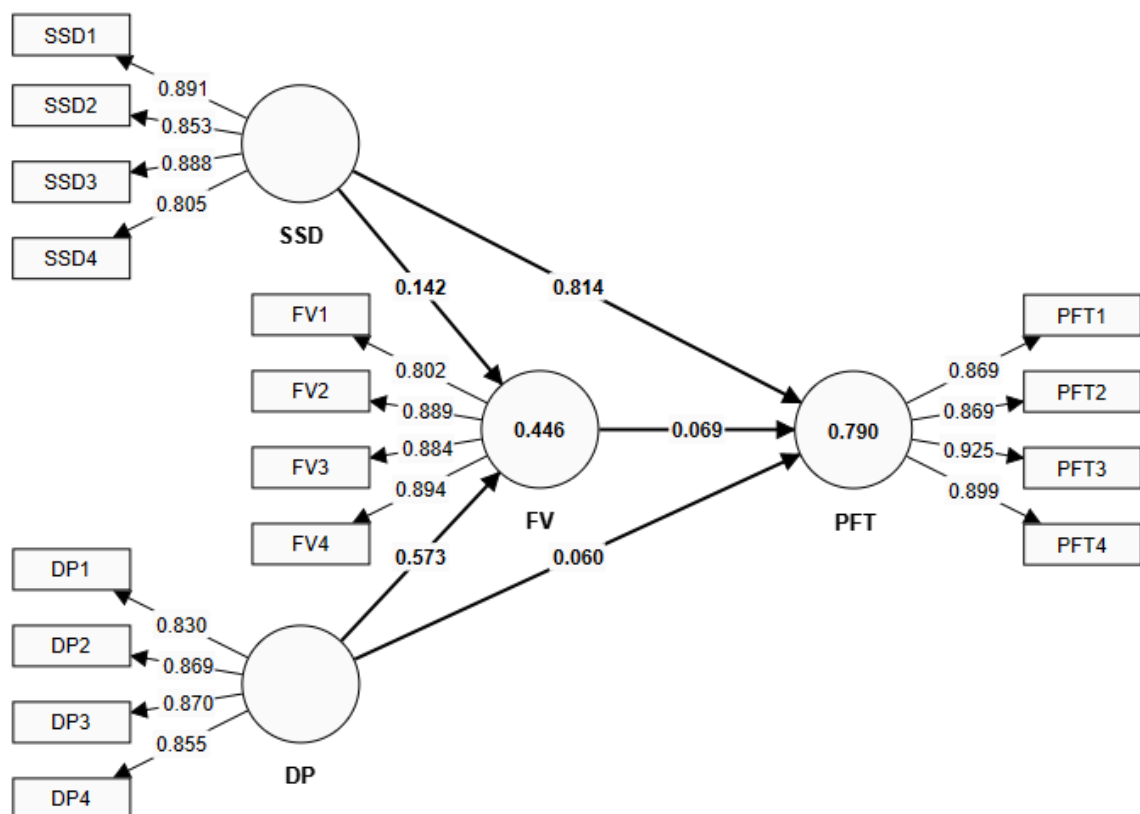


Figure 3. Direct Hypothesis Testing

Indirect

effect

H-6: Firm value significantly mediates the effect of Stock Split Decisions on Profitability

H-7: Firm value significantly mediates the effect of Dividend Policy on Profitability

Table 6. Direct Hypothesis Testing

Hypothesis	Path Coefficient	P-Value	95% Confidence Interval of Path Coefficient		F-Square
			Lower Bound	Upper Bound	
H-1: Stock Split Decisions have a significant effect on firm value	0.142	0.058	0.000	0.288	0.023
H-2: Dividend Policy has a significant effect on firm value	0.573	0.000	0.432	0.711	0.379
H-3: Firm value has a significant effect on profitability	0.069	0.123	-0.005	0.173	0.012
H-4: Stock Split Decisions have a significant impact on profitability	0.814	0.000	0.000	0.288	0.023
H-5: Dividend Policy has a significant impact on profitability	0.06	0.242	-0.05	0.151	0.008

Hypothesis 1 (H-1) is rejected, indicating that Stock Split Decisions do not have a significant effect on firm value, with a path coefficient of 0.142 and a p-value of 0.058 (>0.05), although each increase in Stock Split Decisions slightly raises firm value, as shown by a 95% confidence interval of 0.000 to 0.288 and a small effect size ($F^2 = 0.023$). This finding aligns with evidence from the Korean stock market, where the impact of stock split announcements and unseasoned equity offerings generated positive market reactions, but did not lead to improved firm performance, suggesting that such decisions do not necessarily signal positive future prospects for the company (Young Chung et al., 2016)

Hypothesis 2 (H-2) is accepted, indicating that Dividend Policy has a significant and substantial effect on firm value, with a path coefficient of 0.573, a p-value of 0.000 (<0.05), a 95% confidence interval of 0.432 to 0.711, and a large effect size ($F^2 = 0.379$). This finding aligns with evidence from the Korean market, where the relationship between dividend policy, firm performance, and value was analyzed within the context of Chaebol ownership structures. Using a

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dataset of 5,478 observations from the Korean Composite Stock Price Index, the study shows that while dividend policy generally enhances firm value, its specific measures exert varying impacts on performance and valuation, indicating nuanced effects in practice (Njoku & Lee, 2024)

Hypothesis 3 (H-3) is rejected, indicating that Firm Value does not have a significant effect on profitability, with a path coefficient of 0.063 and a p-value of 0.123 (>0.05). Although increases in Firm Value are associated with slight improvements in profitability, the 95% confidence interval ranging from -0.005 to 0.173 and a small effect size ($F^2 = 0.023$) suggest minimal impact. This finding aligns with the study by Panjaitan and Supriati (2023), which examined the effects of profitability and leverage on firm value, moderated by firm size in Indonesian food and beverage companies. Their results indicate negative effects of profitability and positive effects of leverage on firm value, emphasizing the nuanced relationship between financial performance and valuation (Panjaitan & Supriyati, 2023)

Hypothesis 4 (H-4) is accepted, indicating that Stock Split Decisions have a significant effect on profitability, with a path coefficient of 0.814 and a p-value of 0.000 (<0.05). Each increase in Stock Split Decisions slightly raises profitability, as reflected by a 95% confidence interval of 0.000 to 0.288 and a small effect size ($F^2 = 0.008$). This finding is consistent with the study by Nurdin and Abdani (2020), which analyzed companies that conducted stock splits on the Indonesia Stock Exchange and found that stock splits significantly affected stock returns, reflecting an increase in company profitability. These results suggest that stock split decisions can serve as a strategic tool to enhance operational performance.

Hypothesis 5 (H-5) is rejected, indicating that Dividend Policy does not have a significant effect on profitability, with a path coefficient of 0.060 and a p-value of 0.242 (>0.05). Although increases in Dividend Policy slightly raise profitability, the 95% confidence interval, ranging from -0.050 to 0.151, and a small effect size ($F^2 = 0.008$) suggest a minimal impact. This finding aligns with the study by Njoku and Lee (2024), which analyzed the effects of dividend policy and profitability on firm value in the consumer goods sector listed on the Indonesia Stock Exchange from 2017 to 2021. Their results indicate a negative impact of dividend policy and a positive influence of profitability, supporting the conclusion that dividend policy does not significantly affect profitability, with only a minor effect observed

Table 7. Hypothesis Testing for Mediation Effect

Hypothesis	Path Coefficient	P-Value	95% Confidence Interval of Path Coefficient		Upsilon V
			Lower Bound	Upper Bound	
H-6: Stock Split Decisions -> Firm Value -> Profitability	0.010	0.315	-0.001	0.035	0.0001
H-7: Dividend Policy -> Firm Value -> Profitability	0.039	0.173	-0.003	0.112	0.0069

Hypothesis 6 (H-6) is rejected, indicating that Firm Value does not significantly mediate the effect of Stock Split Decisions on profitability, with a path coefficient of 0.010 and a p-value of 0.315 (>0.05), a 95% confidence interval ranging from 0.001 to 0.035, and a tiny effect size (Upsilon V = 0.0001). This finding aligns with the study by Bui et al. (2023), which analyzed capital structure and firm value in 769 companies listed on the Vietnamese stock market from 2012 to 2022. Their results show that while debt ratios positively affect ROA, ROE, and Tobin's Q, long-term debt has no significant impact on firm value, highlighting the importance of optimal capital structure in enhancing firm performance in emerging markets

Hypothesis 7 (H-7) is rejected, indicating that Firm Value does not significantly mediate the effect of Dividend Policy on profitability, with a path coefficient of 0.039 and a p-value of 0.173 (>0.05), a 95% confidence interval ranging from -0.003 to 0.112, and a small direct effect size (Upsilon V = 0.0069). This finding aligns with the study by Zaharatun Nisa (2025), which shows that the impact of Dividend Policy on firm value is direct and not mediated by financial performance. Their analysis indicates that dividend policy significantly influences firm value without relying on financial performance as an intermediary, emphasizing the independent effect of dividend decisions on firm valuation.

3. Goodness of Fit (GoF) Model Evaluation

The assessment of a Partial Least Squares Structural Equation Modeling (PLS-SEM) framework goes beyond evaluating the significance of individual path coefficients, requiring a comprehensive examination of explanatory capacity, predictive relevance, and overall model fit. The coefficient of determination (R^2) serves as a key metric, indicating the proportion of variance in endogenous constructs explained by their predictors. Values of 0.25, 0.50, and 0.75 are generally interpreted as reflecting weak, moderate, and substantial

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explanatory power, respectively (Hair et al., 2019). Nevertheless, high explanatory strength alone does not guarantee predictive performance. To address this, the Stone-Geisser Q^2 statistic is applied using a blindfolding procedure, where a Q^2 value exceeding zero confirms that the model reliably predicts the construct in question (Sarstedt et al., 2019). Additionally, the overall fit of the model is evaluated using the Standardized Root Mean Square Residual (SRMR), which measures the average difference between observed and model-implied correlations. An SRMR below 0.08 is considered indicative of an acceptable model fit, demonstrating that the proposed theoretical framework accurately captures the empirical relationships among constructs (Henseler et al., 2015). Collectively, these assessments ensure that the PLS-SEM model is both statistically sound and theoretically robust, providing a credible foundation for hypothesis testing.

Table 8. R Square

	R Square	Q Square
Firm Value	0.440	0.417
Profitability	0.786	0.778

The coefficient of determination (R^2) is a key indicator used to assess the explanatory strength of a model, reflecting the extent to which independent variables account for the variance in endogenous constructs. According to Chin (1998), R^2 values can be interpreted qualitatively as weak (0.19), moderate (0.33), or substantial (0.67), providing a framework for evaluating the model's overall predictive capacity. In addition to R^2 , the model's predictive relevance is evaluated using the Q^2 statistic, which examines out-of-sample predictive performance through a blindfolding procedure. A Q^2 value greater than zero signifies that the model possesses predictive relevance, while thresholds of 0.02, 0.15, and 0.35 correspond to small, medium, and large levels of predictive accuracy, respectively (Hair et al., 2019). Together, R^2 and Q^2 offer complementary insights: R^2 indicates how well the model explains observed variance, while Q^2 demonstrates its capacity to make accurate predictions beyond the sample data. This dual assessment ensures that the model is both explanatory and practically useful for understanding the relationships among constructs.

The R Square statistic indicates the extent to which endogenous variables can be explained by exogenous or other endogenous variables in the model, with qualitative interpretations of 0.19 (low), 0.33 (moderate), and 0.66 (high) (Chin, 1998). Q Square assesses the predictive accuracy of the model; values greater than 0 indicate predictive relevance, with interpretations of 0 (low), 0.25 (moderate), and 0.50 (high) (Hair et al., 2019). Based on the data, the influence on Firm Value is explained by 42.1% (moderate), while Profitability is explained by 77.8% (high).

Table 9. Standardized Root Mean Square Residu (SRMR)

	Estimating Models
SRMR	0,052

The Standardized Root Mean Square Residual (SRMR) functions as a crucial indicator of model fit, reflecting the extent to which the observed correlation matrix deviates from the correlation matrix implied by the hypothesized model (Yamin, 2022). In essence, SRMR evaluates the average size of standardized residuals, providing insight into how closely the empirical data align with the theoretical structure. Psychometric guidelines suggest that an SRMR value below 0.08 indicates a strong or good fit, demonstrating that the model adequately represents the observed relationships (Hair et al., 2021). Values between 0.08 and 0.10, while slightly higher, are still considered acceptable and indicate that the model reasonably approximates the data patterns (Karin et al., 2003). By systematically applying these thresholds, researchers can ensure both the statistical adequacy of the measurement model and its theoretical validity. This careful evaluation is critical for subsequent analyses, such as path modeling and hypothesis testing, as it confirms that the model accurately captures the relationships among the constructs under study.

The Standardized Root Mean Square Residual (SRMR) serves as a key indicator for evaluating the overall fit of a structural model by assessing the discrepancy between the observed correlation matrix and the model-implied correlation matrix (Yamin, 2022). According to Hair et al. (2021), an SRMR value below 0.08 indicates a well-fitting model, whereas values between 0.08 and 0.10 are considered acceptable (Karin Schemelleh et al., 2003). In the present study, the estimated SRMR value was 0.052, comfortably below the conservative threshold, suggesting a strong model fit. This result indicates that the theoretical framework aligns closely with the empirical data, while simultaneously ensuring that the model remains capable of adequately explaining the relationships among the constructs. Despite the relatively low SRMR, the model effectively captures the structural relationships, providing confidence that the paths and effects estimated within the model are both reliable and meaningful. Consequently, the findings support the suitability of the proposed framework for examining the influence of stock split decisions and dividend policy on profitability, mediated by firm value, in the context of PT Bank Mandiri Tbk.

Table 10. GoF Index

Average Communalitiy	Average R-squared	GoF Index
0.755	0,613	0.680

The Goodness of Fit (GoF) index provides a holistic measure for assessing the overall adequacy of a model, taking into account both its measurement and structural components. In reflective measurement models, GoF is computed as the square root of the product of the average communalitiy and the average R² values, following the methodological guidelines proposed by Wetzels et al.

(2009) as cited in Yamin (2022). According to these standards, GoF values are categorized as 0.10 for small, 0.25 for medium, and 0.36 for large fit. In the present study, the model produced a GoF value of 0.672, which exceeds the threshold for a large fit, indicating a strong alignment between the theoretical model and the observed data. This result demonstrates that the proposed framework not only captures the underlying constructs effectively but also provides a reliable representation of the structural relationships within the model, affirming both the statistical and theoretical robustness of the analysis.

The Goodness of Fit (GoF) Index evaluates the overall model, including both the measurement and structural models, and is calculated from the reflective measurement model as the square root of the geometric mean of the average communality and the average R^2 . According to Wetzels et al. (2009) in Yamin (2022), the interpretation of GoF is 0.1 (low), 0.25 (medium), and 0.36 (high). The calculation results show a GoF of 0.680, which falls into the high category, indicating that the empirical data are capable of explaining the measurement and structural models with a high level of fit.

CONCLUSION AND RECOMMENDATION

This study examines the effects of Stock Split Decisions and Dividend Policy on firm value and profitability, including the mediating role of firm value. The results indicate that Dividend Policy significantly influences firm value, showing a strong effect, while Stock Split Decisions have no significant impact on firm value. Firm value itself does not significantly affect profitability, yet Stock Split Decisions directly enhance profitability. Dividend Policy shows no significant effect on profitability. Furthermore, firm value does not significantly mediate the relationships between either Stock Split Decisions or Dividend Policy and profitability, with all mediation effects showing small influence.

1. Hypothesis 1 (H-1) is rejected, indicating that Stock Split Decisions do not have a significant effect on firm value, with a path coefficient of 0.142 and a p-value of 0.058 (>0.05). Each increase in Stock Split Decisions raises firm value, with a 95% confidence interval ranging from 0.000 to 0.288 and an effect size $F^2 = 0.023$, indicating a small effect.
2. Hypothesis 2 (H-2) is accepted, indicating that Dividend Policy has a significant effect on firm value, with a path coefficient of 0.573 and a p-value of 0.000 (<0.05). Each increase in Dividend Policy raises firm value, with a 95% confidence interval ranging from 0.432 to 0.711 and an effect size $F^2 = 0.379$, indicating a large effect.
3. Hypothesis 3 (H-3) is rejected, indicating that Firm Value does not have a significant effect on profitability, with a path coefficient of 0.063 and a p-value of 0.123 (>0.05). Each increase in Firm Value raises profitability, with a 95% confidence interval ranging from -0.005 to 0.173 and an effect size $F^2 = 0.023$, indicating a small effect.
4. Hypothesis 4 (H-4) is accepted, indicating that Stock Split Decisions have a significant effect on profitability, with a path coefficient of 0.814 and a p-value of 0.000 (<0.05). Each increase in Stock Split Decisions raises profitability, with a 95% confidence interval ranging from 0.000 to 0.288 and an effect size $F^2 = 0.008$, indicating a small effect.

5. Hypothesis 5 (H-5) is rejected, indicating that Dividend Policy does not have a significant effect on profitability, with a path coefficient of 0.060 and a p-value of 0.242 (>0.05). Each increase in Dividend Policy raises profitability, with a 95% confidence interval ranging from -0.050 to 0.151 and an effect size $F^2 = 0.008$, indicating a small effect
6. Hypothesis 6 (H-6) is rejected, indicating that Firm Value does not significantly mediate the effect of Stock Split Decisions on profitability, with a path coefficient of 0.010 and a p-value of 0.315 (>0.05). The 95% confidence interval ranges from 0.001 to 0.035, with a small effect size (Upsilon V = 0.0001).
7. Hypothesis 7 (H-7) is rejected, indicating that Firm Value does not significantly mediate the effect of Dividend Policy on profitability, with a path coefficient of 0.039 and a p-value of 0.173 (>0.05). The 95% confidence interval ranges from -0.003 to 0.112, and the direct effect has a small effect size (Upsilon V = 0.0069)

Based on the research results, companies are advised to focus on dividend policy, as it has been shown to have a significant and strong impact on firm value. Therefore, it should be formulated consistently and transparently to enhance investor confidence. Although Stock Split Decisions do not significantly affect firm value, they have been proven to significantly increase profitability, making them a viable strategy to boost stock liquidity and operational performance. Additionally, firm value does not mediate the effect of dividend policy or stock splits on profitability, so companies should focus directly on these policies, while investors can use dividends and stock splits as indicators of value and profitability.

FUTHER STUDY

Every research inevitably has certain limitations that may affect the generalizability and depth of the findings. In this study, one notable limitation is the scope of the sample, which is restricted to selected managerial and financial staff within PT Bank Mandiri Tbk. While this provides valuable insights into the influence of stock split decisions and dividend policy on profitability with firm value as an intervening variable, it may not fully capture perspectives from other stakeholders, such as operational staff or external investors, whose experiences could also impact the constructs under study. Additionally, the use of cross-sectional data limits the ability to observe changes in firm value and profitability over time, which could provide more robust evidence of causal relationships. Measurement instruments, although validated for reliability and validity, rely partly on subjective perceptions, which may introduce response bias.

For future research, it is recommended to expand the scope by including multiple banks or companies in different sectors to enhance the generalizability of the findings. Longitudinal studies could be conducted to track the effects of stock splits and dividend policies over extended periods. Moreover, incorporating additional moderating or mediating variables, such as corporate governance, market conditions, or investor sentiment, could provide a more comprehensive understanding of how strategic financial decisions influence firm performance and value. These enhancements would contribute to a richer and

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more nuanced understanding of the complex relationships between corporate financial policies and organizational outcomes

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