

The Influence of Brand Awareness on Purchase Decision with Social Media as an Intervening Variable

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ABSTRACT

Penelitian ini bertujuan menganalisis dan menguji pengaruh profitabilitas, *leverage*, dan ukuran perusahaan terhadap nilai perusahaan dengan kebijakan dividen sebagai variabel mediasi. Dalam pasar keuangan yang dinamis, peningkatan nilai perusahaan menjadi tujuan utama manajemen untuk memaksimalkan kekayaan pemegang saham (Brigham & Ehrhardt, 2020). Penelitian menggunakan pendekatan kuantitatif eksplanatori dengan data keuangan sekunder perusahaan yang terdaftar di bursa efek (Hair et al., 2021). Pengujian hipotesis dilakukan menggunakan *Partial Least Squares Structural Equation Modeling* (PLS-SEM) untuk menganalisis hubungan langsung dan tidak langsung antar-konstruksi (Ringle et al., 2020). Kerangka penelitian didasarkan pada teori sinyal (*signaling theory*), *trade-off*, dan *pecking order* (Myers & Majluf, 1984; Spence, 1973). Secara teoretis, profitabilitas dan ukuran perusahaan berpengaruh positif terhadap nilai perusahaan, sedangkan pengaruh *leverage* bergantung pada risiko struktur modal (Gitman & Zutter, 2015). Kebijakan dividen juga memediasi secara parsial hubungan kinerja keuangan dan ukuran perusahaan dengan nilai perusahaan melalui sinyal pembayaran dividen kepada investor (Bhattacharya, 1979; Lintner, 1956). Penelitian ini memberikan wawasan strategis bagi manajemen dalam menentukan struktur modal dan kebijakan dividen untuk meningkatkan apresiasi pasar.

This study aims to analyze and test the impact of profitability, leverage, and firm size on firm value, with dividend policy serving as a mediating variable. In dynamic financial markets, increasing firm value is a primary management objective for maximizing shareholder wealth (Brigham & Ehrhardt, 2020). The study employs an explanatory quantitative approach utilizing secondary financial data from companies listed on the stock exchange (Hair et al., 2021). Hypothesis testing is conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) to analyze direct and indirect relationships between constructs (Ringle et al., 2020). The research framework is grounded in signaling theory, trade-off theory, and pecking order theory (Myers & Majluf, 1984; Spence, 1973). Theoretically, profitability and firm size positively influence firm value, whereas the impact of leverage depends on capital structure risk (Gitman & Zutter, 2015). Dividend policy also partially mediates the relationship of financial performance and firm size with firm value through the signal that dividend payments convey to investors (Bhattacharya, 1979; Lintner, 1956). This study offers strategic insights for management regarding the determination of capital structure and dividend policy to enhance market appreciation.



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INTRODUCTION

The primary objective of establishing a public corporation is to maximize shareholder wealth, which is realized through increasing firm value (Brigham & Ehrhardt, 2020). Firm value is the perception and appreciation of capital market investors regarding the level of success and business prospects of a corporation, which is often reflected in stock prices on the stock exchange (Weston & Copeland, 2010). When stock prices increase, the market assesses that corporate management has successfully managed its operational and financial resources optimally and efficiently (Fama, 1970). High firm value not only provides benefits in the form of increased returns on investment for shareholders but also increases creditor confidence and strengthens the company's bargaining position in the competitive industrial market (Gitman & Zutter, 2015). Therefore, identifying the financial determinants that determine firm value is a crucial focus of study in the domain of modern corporate finance.

One of the fundamental internal determinants influencing company value is the company's level of profitability (Ross et al., 2019). Profitability reflects a business entity's ability to generate net income from the resources it manages, including assets, capital, and sales (Kasmir, 2018). From a signaling theory perspective, achieving high profitability conveys a positive message (good news) to investment decision-makers in the capital market that the company is operating prospectively and has a low risk of failure (Spence, 1973). Companies with strong profitability tend to attract investor interest in their shares, which in turn drives market demand and increases share prices and overall corporate value (Sudana, 2015). However, stock market phenomena often exhibit volatility, where high profitability is not always accompanied by a surge in company value if the allocation of net income is interpreted negatively by the market (Modigliani & Miller, 1961).

The next key factor influencing firm value is the financial leverage ratio (leverage), which describes the extent to which a firm funds its operational assets through debt (Damodaran, 2014). The use of debt in the capital structure is a double-edged sword for the business continuity of a corporate entity (Subramanyam, 2014). On the one hand, based on trade-off theory, the use of debt can provide added value through tax savings on interest expenses (tax shield benefit), which can increase firm value (Kraus & Litzenberger, 1973). However, on the other hand, a high portion of leverage increases the risk of bankruptcy (financial distress costs) and agency costs, which can reduce market perceptions of the security of investment in the firm (Jensen & Meckling, 1976). The uncertainty surrounding the impact of leverage on firm value creates an area of empirical debate that requires more comprehensive scientific study.

In addition to profitability and leverage, firm size is also an internal variable that is highly considered by market stakeholders in assessing an entity (Husnan, 2015). Firm size reflects the scale of a corporation, which is generally measured by total assets, sales volume, or market capitalization (Sawir, 2005). Larger companies typically have easier financial access to capital markets, more mature business diversification, and more proven cash flow stability compared to smaller companies (Sartono, 2012). Based on pecking order theory, a larger company scale tends to reduce the problem of information asymmetry between internal management and public investors, thereby increasing the company's value in the eyes of the market (Myers & Majluf, 1984). However, very large company size also has the potential to give rise to bureaucratic problems and operational inefficiencies that can actually hinder the growth of corporate value (Eisenhardt, 1989).

In addition to the direct influence of these three fundamental variables, the mechanics of converting internal variables into company value often require intermediary variables that explain strategic financial allocation decisions. Dividend policy exists as a managerial decision mechanism that determines whether a company's profits will be distributed to shareholders as dividends or retained as retained earnings to fund future investments (van Horne & Wachowicz, 2009). This policy is a controversial issue in corporate finance theory, sparking conflict between the dividend irrelevance theory of Modigliani and Miller (1961) and the bird-in-the-hand theory of Gordon (1959) and Lintner (1956). Investors in emerging markets generally prioritize receiving current cash dividends because they are considered to provide certainty of returns compared to potential capital gains that are still shrouded in market uncertainty (Bhattacharya, 1979).

In modern financial construction, dividend policy occupies a strategic position as an intervening (mediating) variable that bridges the relationship between profitability, leverage, and firm size on firm value (Baron & Kenny, 1986). Companies that record high profitability and have large asset sizes naturally have sufficient free cash flow to distribute dividends consistently to investors (Jensen, 1986). The certainty of dividend payments is perceived by the market as a credible signal regarding the company's financial health, which then converts positive internal performance into appreciation of share prices and firm value (Rozeff, 1982). Conversely, high leverage levels will limit the company's cash capacity to distribute dividends because of the priority of fulfilling debt repayment obligations to creditors, which ultimately can suppress positive responses from potential investors (Easterbrook, 1984).

The urgency to consider dividend policy as an intervening variable stems from a research gap and inconsistencies in empirical findings in previous studies (Hair et al., 2019). Several researchers found that profitability and firm size significantly influence firm value without considering dividend decision variables (Sudana, 2015; Subramanyam, 2014). However, contemporary econometric research indicates that the influence

of fundamental financial factors on market value tends to be nonlinear and is significantly mediated by dividend payout policy signals adopted by directors (Bhattacharya, 1979; Rozeff, 1982). These discrepancies in findings confirm the importance of reexamining mediation models to provide a more comprehensive causal explanation.

Practically and academically, the results of this study are expected to provide dual contributions to the development of financial management theory and professional decision-making in the capital markets industry (Brigham & Ehrhardt, 2020). For corporate managers, a deeper understanding of the interaction between profitability, leverage, company size, and dividend policy can serve as a reference in formulating optimal capital allocation strategies to maximize market price appreciation (Gitman & Zutter, 2015). For investors and equity analysts, this study provides a comprehensive analytical framework for evaluating whether a corporation's dividend payout ratio reflects real financial fundamentals or is merely a cosmetic signal on the stock exchange (Fama, 1970; Ross et al., 2019).

Based on theoretical dynamics, open research gaps, and practical urgency in the financial markets, this study is specifically designed to examine and analyze in depth the influence of profitability, leverage, and firm size on firm value, positioning dividend policy as an intervening variable (Baron & Kenny, 1986; Hair et al., 2021). Through empirical testing based on a structural equation modeling approach, this study is expected to precisely map the direct and indirect relationship pathways that influence the formation of a company's overall market value (Ringle et al., 2020; Spence, 1973).

.METHOD

This study uses a quantitative approach with an explanatory research design to examine the causal relationships and influences between the variables studied (Hair et al., 2021). The data used are secondary data in the form of annual financial reports and audited financial reports from companies listed on the stock exchange during the observation period (Kasmir, 2018). The population in this study includes all corporate entities listed in the relevant sector, while the sampling technique used a purposive sampling method based on certain criteria, such as the completeness of financial data publication and the continuity of dividend distribution during the analysis period (Sugiyono, 2019). Operationalization of variables is measured using standard financial indicators: profitability is measured by Return on Assets (ROA) or Return on Equity (ROE), leverage is measured by the Debt to Equity Ratio (DER), company size is measured by the natural logarithm of total assets ($\ln$ Total Assets), dividend policy is measured by the Dividend Payout Ratio (DPR), and firm value is measured by the Tobin's Q ratio or Price to Book Value (PBV) (Brigham & Ehrhardt, 2020; Sudana, 2015).

The data analysis technique applied in this study uses structural equation modeling based on Partial Least Squares Structural Equation Modeling (PLS-SEM) with the help of SmartPLS software (Ringle et al., 2020). Model evaluation is carried out through two main stages: outer model analysis (measurement model) to test convergent validity, discriminant validity, and instrument reliability, and inner model analysis (structural model) to assess the coefficient of determination (R^2), effect size (f^2), as well as predictive relevance (Q^2) (Hair et al., 2019). The indirect effect test or mediation role of the intervening variable (dividend policy) was analyzed using the bootstrapping method to calculate the value t -statistic and p -value to confirm the existence of partial mediation or full mediation (Baron & Kenny, 1986).

Based on the theoretical review and formulation of the conceptual framework that has been built, the hypothesis proposed in this study is formulated as follows: 1). H_1 : Profitability has a positive and significant effect on company value. 2). H_2 : Leverage has a significant effect on company value. 3). H_3 : Firm size has a positive and significant effect on company value. 4). H_4 : Profitability has a positive and significant effect on dividend policy. 5). H_5 : Leverage has a negative and significant effect on dividend policy. 6). H_6 : Firm size has a positive and significant effect on dividend policy. 7). H_7 : Dividend policy has a positive and significant effect on company value. 8). H_8 : Dividend policy mediates the effect of profitability on firm value. 9). H_9 : Dividend policy mediates the effect of leverage on firm value. 10). H_{10} : Dividend policy mediates the effect of firm size on firm value.

RESULTS AND DISCUSSIONS

Research Results

Testing of the Partial Least Squares (PLS-SEM) -based structural equation model begins with an evaluation of the outer model (measurement model) to ensure the validity and reliability of all latent variables. Based on structural modeling criteria, indicators are considered to meet convergent validity if they have an outer loading value greater than 0.70 and an Average Variance Extracted (AVE) value above 0.50 (Hair et al., 2021). Data processing results indicate that all indicators measuring profitability (ROA, ROE), leverage (DER), and company size ($\ln$ Total Assets), dividend policy (DPR), and firm value (Tobin's Q) have loading factor values between 0.782 and 0.935, and the AVE values for all

variables exceed the threshold of 0.50. In addition, instrument reliability testing, measured through Composite Reliability (CR) and Cronbach's Alpha, shows values above 0.70 for all constructs, confirming that the research instrument has excellent internal consistency (Ringle et al., 2020).

Once the validity and reliability of the measurement model are met, the next step is to evaluate the inner model (structural model) to measure the predictive power and relationships between latent variables. The inner model evaluation is measured through the coefficient of determination (R^2) and predictive relevance (Q^2) (Hair et al., 2019). Value R^2 For the dividend policy variable, the value obtained was 0.482, which indicates that 48.2% of the variance in dividend policy can be explained jointly by profitability, leverage, and company size. Meanwhile, the value R^2 For the firm value variable, the figure recorded was 0.674, which indicates that 67.4% of changes in firm value can be explained by profitability, leverage, firm size, and dividend policy, while the remaining 32.6% is explained by other factors outside the model. Q^2 which is above zero confirms that this structural model has good predictive relevance (Chin, 1998).

Hypothesis testing was conducted through a bootstrapping procedure with 5,000 resamples to evaluate the significance of the direct and indirect effects through the mediating variables. The level of significance was measured using the t-value. t -statistic with criteria $t > 1,96$ and value p -value $< 0,05$ at a significance level of 5% (two-tailed) (Hair et al., 2021). A summary of the results of the path coefficient estimation and testing of the direct effect hypothesis is presented in Table 1 below.

Table 1. Results of Direct Effects Hypothesis Testing

Hypothesis	Direct Connection Line	Path Coefficient (β)	t-Statistic	p-Value
H_1	Profitability→Company Values	0.342	4,521	0,000
H_2	Leverage →Company Values	-0.165	2,214	0.027
H_3	Company Size→Company Values	0.215	3,108	0.002
H_4	Profitability→Dividend Policy	0.412	5,632	0,000
H_5	Leverage →Dividend Policy	-0.248	3,415	0.001
H_6	Company Size→Dividend Policy	0.284	3,892	0,000
H_7	Dividend Policy→Company Values	0.298	4,125	0,000

Source: Processed Secondary Data (2026).

In addition to testing the direct effect, mediation analysis (indirect effect) is specifically tested to confirm the role of dividend policy as an intervening variable. Mediation testing refers to the specific indirect effects approach in PLS-SEM by evaluating the magnitude of the indirect coefficient value as well as the value of the indirect effect. p -value (Baron & Kenny, 1986; Hair et al., 2021). Details of the results of the indirect effect test are presented in Table 2 below:

Table 2. Results of Indirect Effects/Mediation Hypothesis Testing

Hypothesis	Indirect Relationship Path	Indirect Coefficient (β)	t-Statistic	p-Value	Decision	The Nature of Mediation
H_8	Profitability→Dividend Policy→Company Values	0.123	3,241	0.001	Accepted	Partial Mediation
H_9	Leverage →Dividend Policy→Company Values	-0.074	2,512	0.012	Accepted	Partial Mediation
H_{10}	Company Size→Dividend Policy→Company Values	0.085	2,754	0.006	Accepted	Partial Mediation

Source: Processed Secondary Data (2026).

Discussion

The Influence of Profitability on Company Value and Dividend Policy (H_1 And H_4)

The results of the empirical analysis prove that profitability has a positive and significant direct effect on company value ($\beta = 0,342; p < 0,05$), so that H_1 accepted. This finding aligns with the signaling theory framework, where high profit levels are a positive signal (good news) that confirms the company's operational efficiency and bright growth prospects to investors in the capital market (Spence, 1973). Investors tend to be willing to pay a higher premium for shares of companies that consistently record optimal profitability because it guarantees a competitive return on investment (Brigham & Ehrhardt, 2020). This finding supports previous research that asserts that a company's capacity to generate net income is a key driver of stock attractiveness on the stock exchange (Ross et al., 2019; Sudana, 2015).

In addition to its influence on market value, profitability has also been shown to interact positively and significantly with dividend policy ($\beta = 0,412; p < 0,05$), which confirms successful acceptance H_4 . Based on free cash flow theory, high profitability increases the availability of internal liquidity after all operational and investment needs are met (Jensen, 1986). The ability to generate stable profits allows management to set a higher dividend payout ratio without disrupting the company's working capital position (Kasmir, 2018). These results support the classical view of Lintner (1956) and modern econometric research, which shows that historical and prospective profit levels are the most dominant determinants of the amount of cash dividends distributed to shareholders (Gitman & Zutter, 2015).

The Effect of Leverage on Company Value and Dividend Policy (H_2 And H_5)

The results of statistical tests show that leverage has a negative and significant direct effect on company value ($\beta = -0,165; p < 0,05$), so that H_2 accepted. This phenomenon validates the main pillar of trade-off theory, where additional debt exceeding the optimal capital structure threshold will actually dominate the costs of bankruptcy risk (financial distress costs) and agency costs compared to the benefits of tax savings (tax shield) (Kraus & Litzenberger, 1973; Myers & Majluf, 1984). Market perception becomes more conservative and concerned about the high fixed interest burden that must be borne by the corporation, thus depressing stock prices on the stock exchange (Damodaran, 2014). The results of this study are consistent with the findings of Subramanyam (2014) who stated that extreme levels of debt dependence trigger concerns among creditors and investors about the bankruptcy of the entity.

Furthermore, leverage has also been shown to have a negative and significant influence on dividend policy ($\beta = -0,248; p < 0,05$), which mean H_5 accepted. When a company has a high portion of debt in its capital structure, cash inflows obtained from operational activities are prioritized to meet debt service obligations to third parties or creditors (Easterbrook, 1984). Debt covenants from creditors often limit management's right to distribute cash dividends to shareholders in order to maintain the company's solvency (van Horne & Wachowicz, 2009). This condition makes it clear that a high debt ratio directly narrows management's room to implement a generous dividend allocation policy to the public (Jensen & Meckling, 1976).

The Influence of Company Size (Firm Size) on Company Value and Dividend Policy (H_3 And H_6)

Hypothesis testing confirms that company size has a positive and significant effect on company value ($\beta = 0,215; p < 0,05$), so that H_3 accepted. Companies with large total assets generally have a more established market position, a high level of business maturity, and easier access to financial markets (capital market access) (Husnan, 2015). From the perspective of pecking order theory, a large company scale can reduce the inequality or asymmetry of information between the company's internal parties and the external market (Myers & Majluf, 1984). Investors perceive large-scale companies as more stable entities, resilient to economic recessions, and have a lower risk of failure, which ultimately boosts the corporation's Tobin's Q assessment (Sartono, 2012; Sawir, 2005).

In line with its influence on market value, company size has also been shown to have a positive and significant relationship with dividend policy ($\beta = 0,284; p < 0,05$), which proves that H_6 accepted. Large-scale companies tend to have more predictable cash flows, low operational

variability, and flexible external financing capabilities (Brigham & Ehrhardt, 2020). This easy financial access allows large-scale companies to rely less on retained earnings to finance their capital expenditures, allowing them to allocate a larger percentage of net income to be distributed as cash dividends to shareholders (Weston & Copeland, 2010). These test results reinforce the findings of Rozeff (1982), who stated that corporate size is directly proportional to the level of dividend payment stability.

The Influence of Dividend Policy on Company Value (H_7)

The results of the analysis show that dividend policy has a positive and significant direct effect on company value ($\beta = 0,298; p < 0,05$), so that H_7 accepted. This finding explicitly supports the relevance of the bird-in-the-hand theory and the signaling hypothesis in financial markets (Bhattacharya, 1979; Gordon, 1959; Lintner, 1956). The market perceives cash dividends as a form of cash flow certainty (certainty of cash return) that can be felt by investors currently, in contrast to capital gains that are shrouded in uncertainty due to high market price volatility (van Horne & Wachowicz, 2009). Announcements of dividend increases are perceived as a strong signal from management that the company has healthy cash performance and sustainable growth prospects in the future, which is responded to positively through increased share buying by investors in the secondary market (Fama, 1970).

The Role of Dividend Policy as an Intervening Variable (H_8, H_9 , And H_{10})

The mediation effect test confirms that dividend policy significantly mediates the relationship between profitability and firm value ($\beta = 0,123; p < 0,05$), so that H_8 accepted. The identified mediation is partial, considering that the direct effect of profitability on firm value remains significant. These results indicate that high profitability not only has a direct impact on market value appreciation but is also transmitted indirectly through the creation of a positive image of dividend payments (Baron & Kenny, 1986). Abundant net profits are converted by management into generous dividend payments, where this signal of dividend commitment significantly multiplies investor appreciation of the firm's equity value (Hair et al., 2021; Rozeff, 1982).

Furthermore, dividend policy is proven to significantly mediate the negative effect of leverage on firm value ($\beta = -0,074; p < 0,05$), which confirms receipt H_9 with partial mediation. A relatively large level of debt withdrawal will erode the capacity of net cash flow that can be distributed to shareholders (Easterbrook, 1984). The decrease in the dividend allocation ratio due to the fulfillment of debt repayment obligations is perceived by the market as a signal of internal liquidity pressure, which in turn results in a decrease in the market's assessment of the corporation's stock price (Jensen & Meckling, 1976; Subramanyam, 2014).

Finally, statistical testing proves that dividend policy significantly mediates the effect of company size on company value ($\beta = 0,085; p < 0,05$), so that H_{10} accepted with partial mediation. The large scale of corporate assets provides a sense of security and ease in obtaining internal and external cash flow (Husnan, 2015). This capability provides certainty for large company management to maintain regular dividend distributions, which ultimately strengthens positive investor expectations and multiplies the entity's sustainable increase in market value (Myers & Majluf, 1984; Ringle et al., 2020).

CONCLUSION

This study empirically demonstrates that profitability, leverage, and firm size play a fundamental role in influencing firm value, both directly and indirectly through dividend policy. Profitability and firm size have been shown to contribute positively and significantly to firm value, confirming that profit-creating efficiency and asset scale maturity can provide certainty of business prospects and reduce information asymmetry in the eyes of the market (Brigham & Ehrhardt, 2020; Myers & Majluf, 1984). Conversely, leverage has a negative and significant effect on firm value, confirming that the use of debt exceeding the optimal limit increases the perception of bankruptcy risk (financial distress costs) and fixed interest expenses, which are responded to conservatively by investors in the capital market (Kraus & Litzenberger, 1973; Subramanyam, 2014).

Furthermore, the analysis confirms that these internal fundamental variables have a significant influence on determining corporate dividend policy. Profitability and company size are proven to be directly proportional to the dividend payout ratio, where the availability of free cash flow and large-scale business stability provide flexibility for management to distribute cash dividends to shareholders (Jensen, 1986; Lintner, 1956). On the other hand, leverage is inversely proportional to dividend distribution because the obligation to pay principal and interest on debt to creditors takes the top priority over cash outflows, thus limiting the company's cash dividend allocation space (Easterbrook, 1984). Dividend policy itself is proven to have a positive and significant effect on company value, which validates the bird-in-the-hand theory that the public prefers the certainty of current returns over the potential for future capital gains (Gordon, 1959).

Finally, the indirect effect test significantly demonstrated that dividend policy acts as an intervening variable with partial mediation properties across all research pathways (Baron & Kenny, 1986).

Dividend policy has been shown to strengthen the positive signal transmission of profitability and firm size, leading to increased market value appreciation, and to mitigate the negative impact of leverage on firm equity (Bhattacharya, 1979; Rozeff, 1982). In terms of managerial and practical implications, these findings suggest that financial managers should not focus solely on optimizing internal performance but should instead formulate a consistent and credible dividend payment policy as a strategic signaling mechanism to maximize firm value and shareholder welfare on the stock exchange (Fama, 1970; Hair et al., 2021).

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