

# The Effect of Profitability, Dividend Policy and Inflation on Minimizing Risk with Investment Decision as Intervening Variable in Manufacturing Firms Listed on The Indonesian Stock Exchange

Thania Desrika\*, Yuhanis Ladewi & Junaidi

Universitas Muhammadiyah Palembang

Corresponding Author: [desrikat@gmail.com](mailto:desrikat@gmail.com)\*,  
[yuhanisladewi@ymail.com](mailto:yuhanisladewi@ymail.com), [junaidi\\_pps@um-palembang.ac.id](mailto:junaidi_pps@um-palembang.ac.id)

## Article Information:

Received: May 05, 2026, Accepted: May 25, 2026, Published: May 31, 2026

## Abstract

This study examines the effects of profitability, dividend policy, and the inflation rate on investment decisions and risk minimization in manufacturing companies from various industrial sectors listed on the Indonesia Stock Exchange (IDX). A quantitative descriptive approach was used. The study involved 67 listed companies, with a purposive sample of 12, yielding 60 financial statement observations. Secondary data were collected from the company's financial reports. Data were analyzed using descriptive statistics and Partial Least Squares-Structural Equation Modeling (PLS-SEM), including outer and inner model analyses, hypothesis testing, and mediation analyses. The results indicate that profitability and dividend policy have significant positive effects on investment decisions, while the inflation rate has no significant effect. Profitability and investment decisions significantly contribute to risk minimization, whereas dividend policy and the inflation rate do not. Furthermore, investment decisions mediate the relationship between profitability and risk minimization but do not mediate the effects of dividend policy or the inflation rate on risk minimization.

**Keywords:** Profitability, Dividend Policy, Investment Decision, Minimization of Risk.

**Jel Codes:** G1; G32; G35;

## 1. Introduction

Investors play a central role and hold primary control over the capital they invest. The primary goal of every investor is to achieve optimal returns from their chosen assets. Investors' primary focus is on the availability and allocation of capital or funds to be injected. The investor's ability to provide funds, which can come from personal income, retained earnings, or other sources, is a key driver in investment activity. Investors evaluate each company not only on sustainability but also on its potential to deliver the best return on invested capital. Every investment activity in the capital market, even if promising optimal returns, is always faced with risk and uncertainty. Risk refers to the uncertainty of investment outcomes. The greater the potential

Published by:

return expected from an investment, the greater the risk that must be borne. Definitely, risk can be defined as the potential occurrence of an event that could result in a loss, or as the possibility that the financial results obtained deviate from expectations. This potential risk refers to the impact of losses or deviations in returns that investors will experience if an adverse event actually occurs. This potential must be managed effectively to ensure investments do not significantly reduce invested capital.

To address potential risks, management must manage various factors, with the greatest challenge being minimizing risk. The primary goal of risk minimization is to reduce uncertainty to prevent or mitigate potential losses that could hinder goal achievement (Buheji, 2022). This process aims not only to identify potential losses but also to determine the impact of each adverse event. The risk control efforts outlined above lead to one primary goal: making optimal investment decisions. An investment decision is the process by which an individual or entity selects a specific asset or project to invest their funds in to achieve future returns or profits (Putri et al., 2025).

A sound investment decision is expected to generate positive growth for both the company and the investor. For investors, positive growth is a profitable prospect because it can yield the best returns in the future. Investors and potential investors in the capital market require a thorough understanding of a company's financial condition when making investment decisions. Investors need accurate information as an analytical tool for making investment decisions (Putri et al., 2025). Fundamental company analysis techniques will help investors understand the company's overall potential and condition, including the company's achievements, ability to manage assets and finances, and obligations to stakeholders. A company's fundamental analysis can reflect the company's future condition and prospects. The information used in this analysis is derived from the company's financial statements and calculated using financial ratios.

In addition to fundamental analysis, macroeconomic factors are very helpful in making investment decisions. Macroeconomics is a branch of economics that studies economic behavior in the aggregate (overall), encompassing various national or global economic variables, such as gross domestic product (GDP), inflation rates, unemployment, economic growth, the trade balance, and the role of government policy. Macroeconomic performance provides crucial signals about the stability and prospects of future purchasing power. Therefore, investors often use macroeconomic analysis as an initial filter to determine which countries or sectors are worth considering. Therefore, rational and informed investment decisions will always consider the synergy and interaction between micro conditions (company fundamentals) and macro conditions (national/global economy) (Prastowo, 2023). The most crucial internal fundamental factor influencing investment decisions is profitability. Profitability is defined as a company's ability to generate profits from sales and investments (Fajaria & Isnalita, 2018). A high level of profitability reflects a company's ability to generate profits, which not only boosts investor confidence but also provides a strong source of internal funds to finance investment projects.

High profitability is a positive signal because it indicates a company's solid performance. Potential investors will carefully analyze a company's performance and its ability to generate profits. Higher profitability indicates a company's ability to generate profits. Therefore, investors will invest in the company because it is perceived as offering high returns. Another fundamental factor closely related to investment decisions is dividend policy. Dividend policy is the decision-making process that determines how much of a company's profits to distribute

to shareholders as dividends and how much to retain to finance future investments ([Ovami & Nasution, 2020](#)). This is a consideration for investors when making investment decisions. Dividend policy is a policy adopted by company management to decide whether to pay out a portion of the company's profits to shareholders rather than retaining them as retained earnings for reinvestment to generate capital gains. Therefore, dividend policy influences investment decisions ([Dewi et al., 2020](#)). When a company decides to distribute its profits as dividends to shareholders, large shareholders will receive larger dividends. This will attract shareholders to invest their funds in the company's shares.

In addition to fundamental factors, making profitable investment decisions requires investors to understand and predict future macroeconomic conditions. Inflation is a process of price increases that frequently occurs in the economy ([Sukirno, 2019](#)). Inflation uncertainty can hinder investment decisions. Investment. When inflation is high, companies tend to raise prices and reduce their workforce and investment ([Coibion et al., 2018](#)), which can reduce people's purchasing power while maintaining stable incomes. When inflation rises, stock prices typically decline. This suggests that inflation negatively impacts investment decisions. In the Indonesian economy, the manufacturing sector plays a highly strategic role. Geographically, Indonesia's manufacturing sector is heavily concentrated in the western region, with Java as its main axis. According to data from the Indonesian Central Bureau of Statistics (2024), West Java is the largest contributor, accounting for 23.18%, and is driven by the automotive industry. Following closely behind are other key provinces, such as East Java, with a food industry of 13.44%, Banten, with a chemical industry of 10.42%, and Central Sulawesi, driven by the basic metal industry of 10.38%.

The manufacturing sector is a major contributor to the national Gross Domestic Product (GDP). Currently, Indonesia's manufacturing sector faces a worrying situation. Indonesia's manufacturing sector experienced a significant growth slowdown in 2023, a concern given its role as the backbone of the economy. Despite a post-pandemic year-on-year (y-o-y) growth surge (reaching 22.18% in the second quarter of 2021), this trend failed to be sustained. Data shows that the y-o-y growth rate slowed drastically in 2023, peaking at only 3.54% (Q1) and 2.65% (Q3). This phenomenon raises concerns because these growth figures have not yet surpassed pre-pandemic levels (2019). This situation creates a striking gap, with the performance slowdown occurring amid a 19.8% increase in investment realization compared to 2022 ([www.bps.go.id](http://www.bps.go.id), 2025). However, the contrast between high investment realization and slowing production performance in the manufacturing sector is stark. The manufacturing sector is the primary destination for national investment, accounting for 42.0% of total investment, or approximately IDR 596.3 trillion, in 2023 (Ministry of Industry, 2024). The phenomenon of slowing manufacturing sector growth amid rising investment realization poses significant risks for investors. Slowing production rates can impact the future sustainability of manufacturing companies. For investors, this translates into potential profit declines. This situation creates significant uncertainty, as incoming investment has not effectively optimized production capacity, thus increasing investment risk for those investing in this sector. Therefore, amid this situation in the manufacturing sector, risk-minimization efforts for investors are becoming increasingly crucial. Risk minimization strategies are no longer merely theoretical but are a practical necessity to protect capital from the negative impacts of slowing performance.

Risk minimization data, measured using the average Degree of Financial Leverage (DFL) in the manufacturing sector, indicates significant fluctuations in total risk levels from the onset of the pandemic to 2024. Interpretatively, every small change in a manufacturing company's level

can pose a potential risk. This high-risk fluctuation is a crucial signal for investors; if production continues to slow, the high risk could substantially increase potential losses. The high and volatile risk fluctuations in the manufacturing sector underscore the need for investors to align risk-minimization strategies with their investment decision-making. Rational, informed investment decisions aim for positive growth that delivers the best returns for investors. Data on investment decisions in the manufacturing sector show a significant downward trend from 2020 to a low point in 2024, followed by a sharp surge in 2022. This decline in investment value indicates a drastic decline in interest or capital allocation to investment assets in the manufacturing sector, driven by the high market uncertainty and production slowdown discussed previously.

The high level of investment realization and high risk in the manufacturing sector highlight that optimal investment decisions cannot be based solely on investment size but must consider the determinants that fundamentally influence a company's performance and risk. Therefore, rational and informed investors will always consider the synergies and interactions between micro-economic conditions (company fundamentals). High profitability levels signal to investors that investment is warranted. Average Net Profit Margin (NPM) data for the manufacturing sector indicate a strong, sustained trend of increasing profitability since 2020. NPM surged sharply from its 2022 high to 2024. This solid increase in profitability is a very positive signal and provides strong justification for investors to continue investing amidst slowing sectoral production growth. Theoretically, profitability is a crucial indicator of a company's financial health and a primary source of internal funding for investment decisions. Another internal factor closely related to investment decisions is dividend policy. According to [Ovami & Nasution \(2020\)](#), dividend policy is a company's decision regarding whether to distribute profits to shareholders as dividends or retain them for reinvestment.

## 2. Literature Review

**The Influence of Profitability on Investment Decisions.** [Kasmir \(2019\)](#) defines profitability as a company's ability to generate profits, reflecting the effectiveness of management. The higher the profitability, the better the company's financial performance in managing its assets and capital to create added value. High profits are seen as a positive signal of strong growth prospects, thereby boosting investor confidence and driving investment in anticipation of adequate returns. Previous research conducted by [Sari and Pratama \(2021\)](#) showed that profitability has a strong positive correlation with investment decisions in the manufacturing sector. This finding is supported by [Hidayat \(2023\)](#), who stated that investors tend to choose companies with high returns on assets because they are perceived as safer from the risk of bankruptcy. The conclusion from this description confirms that profitability is a determining factor that significantly influences investment interest and decisions. Based on the integration of expert definitions, signal theory, and various recent research evidence, as proposed by [Wulandari \(2022\)](#), it can be stated that strengthening corporate profits will always be followed by increased investment activity.

**The Effect of Dividend Policy on Investment Decisions.** According to [Husein and Kharisma \(2020\)](#), this policy reflects the proportion of profits paid to investors as a return on their invested capital. Companies that consistently pay dividends are often perceived as financially stable and with strong cash flow management. Theoretically, this relationship is explained by Signal Theory, which holds that dividend distributions convey management's message about the company's prospects. [Wulandari \(2022\)](#) suggests that increasing dividends is seen as a sign that

the company is confident in future profit growth. Conversely, a decrease in dividends is often interpreted as a negative signal of internal conditions, making this policy an important instrument for shaping investor perceptions and capital demand in the capital market. Previous research by [Sari and Pratama \(2021\)](#) found that dividend policy has a significant, positive influence on investment decisions. This finding is supported by [Hidayat \(2023\)](#) research, which found that for many investors, the certainty of receiving regular income through dividends is more attractive than the prospect of uncertain stock price increases. Therefore, a transparent and stable profit distribution policy is a primary factor in investors' decision-making when determining their investment objectives. In conclusion, dividend policy is a crucial factor aligning the company's interests with investor expectations.

**The Effect of Inflation on Investment Decisions.** According to [Rusdi, Rinofah and Maulida \(2025\)](#), high inflation can reduce people's purchasing power and increase company operating costs, ultimately impacting national economic stability. In a financial context, the inflation rate is an important benchmark for market participants to assess whether the returns from an investment can outweigh currency depreciation. Theoretically, this relationship is explained by the Inflation Expectation Theory, which holds that economic actors adjust their behavior in response to expectations of future price increases. High inflation rates encourage investors to be more cautious and demand higher returns to compensate for the risk of declining asset values. Previous research by [Wulandari \(2022\)](#) showed that inflation negatively impacts investment decisions in the capital market. This finding is supported by research by [Sari and Pratama \(2021\)](#), who stated that when inflation rises beyond reasonable levels, investors tend to shift their capital from productive assets, such as stocks, to perceived safer assets, such as gold or property.

**The Effect of Profitability on Risk Minimization.** According to [Fahmi \(2020\)](#), high profitability reflects good operational efficiency, ensuring the company has sufficient cash reserves to cover potential losses. In financial management, profit is viewed not only as a performance achievement but also as a source of internal funding that strengthens the company's capital structure in the face of various business threats. According to [Hidayat \(2023\)](#), adequate retained earnings enable companies to finance operations and expansion without being burdened by high interest rates on loans. This enhances financial stability and reduces the risk of default on short- and long-term obligations. Previous research by [Sari and Pratama \(2021\)](#) showed that a high return on assets significantly reduces a company's systematic risk. This finding is supported by [Wulandari \(2022\)](#), who stated that investors perceive profitable companies as entities with more mature risk management. In conclusion, profitability plays a strategic role in a company's risk mitigation mechanism by strengthening its financial capacity.

**The Impact of Dividend Policy on Risk Minimization.** Profit distribution policies also play a strategic role within a company's long-term risk management framework. Conceptually, a prudent dividend policy helps management minimize liquidity risk and default risk. By maintaining an optimal balance between dividends paid and retained earnings, the company has an adequate buffer to face emergencies or market volatility. This is a proactive mitigation measure to maintain a healthy capital structure, minimizing potential losses due to cash shortages without relying entirely on expensive external funding. The availability of adequate retained earnings, resulting from a measured dividend policy, enables companies to finance operations and expansion independently. According to [Hidayat \(2023\)](#), this financial independence reduces reliance on debt, ultimately minimizing interest expenses and the risk of bankruptcy. The financial stability created by a consistent profit distribution pattern sends a

positive signal to the market that the company has sound risk management and strong internal funding capacity. In conclusion, dividend policy is not simply a profit distribution mechanism, but rather an effective risk-mitigation instrument that strengthens the capital structure. The integration of dividend policy theory and empirical evidence demonstrates that profit management effectively buffers against economic uncertainty. Thus, companies that can balance shareholder rights with cash reserve requirements will be more resilient in the face of uncertain business dynamics.

**The Effect of Inflation Rates on Risk Minimization.** Inflationary pressures require companies to take systematic steps to protect the value of their assets and the purchasing power of their capital. [Sukhorukova, Maksimov and Fomin \(2020\)](#) explain that risk minimization in a macroeconomic context is the process of reducing potential economic losses due to price uncertainty. In the face of economic turmoil, companies strive to minimize risk by comparing the costs of prevention against the potential real losses that may arise. This strategy is crucial because unanticipated inflation can erode profit margins and disrupt a company's cash flow if not accounted for through careful financial planning. The impact of high inflation forces management to take protective measures such as hedging or periodically adjusting product selling prices. This is done to maintain profit margins and minimize the risk of economic losses due to declining consumer purchasing power. By adjusting pricing strategies and managing costs efficiently, companies can offset rising production input costs, thereby maintaining stable profitability amid uncertain economic conditions. In conclusion, the inflation rate significantly influences how companies formulate their financial risk minimization strategies. A company's ability to predict the inflation rate and respond to it through appropriate asset management policies will determine the resilience of its capital structure. Integration between internal cost controls and adaptation to external monetary conditions is key for companies to remain competitive and avoid the decline in economic value caused by persistent inflation.

**The Influence of Investment Decisions on Risk Minimization.** A company's capital allocation strategy significantly determines its level of financial security and future business sustainability. [Hidayat \(2023\)](#) state that investment decisions involve a thorough analysis of viable products or projects to maximize profits while minimizing the potential for failure. [Yunita \(2020\)](#) adds that allocating funds to appropriate investments not only generates profits but also protects assets from depreciation. Rational investment decisions are a fundamental risk mitigation strategy for management. By selecting a diverse portfolio, companies can implement a diversification strategy to minimize the impact of losses on a single instrument. A company's capital stability is highly dependent on managers' ability to identify investment opportunities that are resilient to market shocks. Well-planned investments will generate stable cash flow, which, in turn, strengthens the company's liquidity and helps it withstand market uncertainty. Furthermore, decisions to invest in technology or operational efficiency can also be considered long-term efforts to minimize risk amid increasingly fierce business competition. Thus, investment is not simply about seeking profit, but rather a defensive bulwark to maintain the consistency of the company's value. In conclusion, investment decisions significantly affect the effectiveness of financial risk minimization. Accurately selecting investment instruments that align with the company's risk profile will ensure capital stability even in volatile economic conditions. The integration of sharp market analysis and strategic asset selection enables companies to grow sustainably while mitigating potential losses that could threaten the health of the organization's financial structure.

**The Effect of Profitability on Risk Minimization through Investment Decisions.** According to

[Fahmi \(2020\)](#), high profitability reflects strong operational efficiency, which provides companies with the flexibility to expand through strategic investment decisions. Profitability not only mitigates risk but also serves as a key driver of companies' investment in productive assets capable of generating stable cash flows in the future. Based on [Hidayat \(2023\)](#) thinking, investment decisions funded by strong internal profits will minimize reliance on high-risk external debt. When companies choose the right investments, this will increase company value and automatically create a protective mechanism (buffer) that minimizes the risk of bankruptcy or market volatility. Previous research conducted by [Sari and Pratama \(2021\)](#) showed that investments based on stable profitability have a strong correlation with reduced market risk. This finding is reinforced by [Wulandari \(2022\)](#), who stated that investment decisions act as a bridge that transforms potential profits into long-term financial resilience. In conclusion, appropriate investment decisions can strengthen the role of profitability in a company's risk mitigation mechanisms. High profitability indirectly contributes to efforts to minimize corporate risk through appropriate investment decision-making mechanisms. This means that profit is not simply a figure, but rather strategic capital that, when invested in productive assets, will create a strong financial defense against business volatility.

**The Effect of Dividend Policy on Risk Minimization through Investment Decisions.** A dividend policy is often viewed as a positive signal to investors about a company's bright prospects. According to [Ghozali \(2020\)](#), consistent dividend distribution indicates a company's good governance and sound financial condition. However, this policy is also closely related to investment decisions; companies must balance profit distribution with reinvestment needs to sustain the business. Based on Signaling Theory, companies that maintain a dividend payout ratio while continuing to make profitable investments will be perceived as low risk by the market. Efficient investment decisions, coupled with a stable dividend policy, will create a positive image in shareholders' eyes, thereby minimizing the risk of sharp stock price declines during economic shocks. Investment decisions have proven to be a bridge between dividend policy and risk minimization. A measured dividend policy signals stability to the market. Still, its effectiveness in mitigating risk is optimal only when a company balances dividend payments with investment allocations that strengthen its asset structure.

**The Effect of Inflation on Risk Minimization through Investment Decisions.** Inflation is a macroeconomic factor beyond a company's control, but it significantly affects purchasing power and operational costs. According to [Brigham and Houston \(2021\)](#), high inflation can increase economic uncertainty. Under these conditions, manufacturing companies are required to make smarter investment decisions, such as investing in technological efficiency, to maintain profit margins and minimize the risk of loss. Investment decisions made amidst fluctuating inflation significantly determine a company's resilience. Companies that can reinvest in assets with maintained value (such as technology or production efficiency) will be better able to withstand inflation risk than those that are passive. Thus, investment decisions serve as a defensive strategy to transform economic pressures into operational stability. If management effectively manages its investment portfolio during inflation, the risk of default and asset impairment can be minimized. In conclusion, investment decisions play a vital role in mediating the negative impact of inflationary pressures on a company's overall risk profile. Investment decisions play a vital role in mediating the negative impact of inflationary pressures on a company's risk profile. Although inflation is an external threat that increases risk, responsive management through strategic reinvestment in technology and production efficiency can neutralize this impact and maintain company stability from macroeconomic shocks.

### 3. Research Method

The object of this study is the Miscellaneous Industry Manufacturing Companies listed on the Indonesia Stock Exchange (IDX) during the observation period of 2020 to 2024. This study uses a quantitative approach. The dependent variable is investment decisions, with the indicator using the price-earnings ratio. The intervening variable is risk minimization, as indicated by the degree of financial leverage. The independent variables are profitability, dividend policy, and inflation rate. The profitability indicator is the net profit margin. The dividend policy indicator is the dividend payout ratio. The inflation indicator is the inflation rate. The population in this study consists of 67 Miscellaneous Industry Manufacturing Companies listed on the Indonesia Stock Exchange (IDX), obtained from the source [www.idx.co.id](http://www.idx.co.id). The sample for this observation comprised 12 companies. The sampling technique in this study was purposive sampling. The data used is annual financial report data from various sources, namely the website [www.idx.co.id](http://www.idx.co.id), for companies registered in the Industrial Sector Manufacturing Companies that are listed on the Indonesia Stock Exchange (IDX) in 2020 - 2024. The data analysis technique used is Partial Least Squares - Structural Equation Modeling (PLS-SEM).

### 4. Findings and Discussions

Descriptive statistics provide an overview or description of data seen from the average value (mean), standard deviation, maximum, minimum.

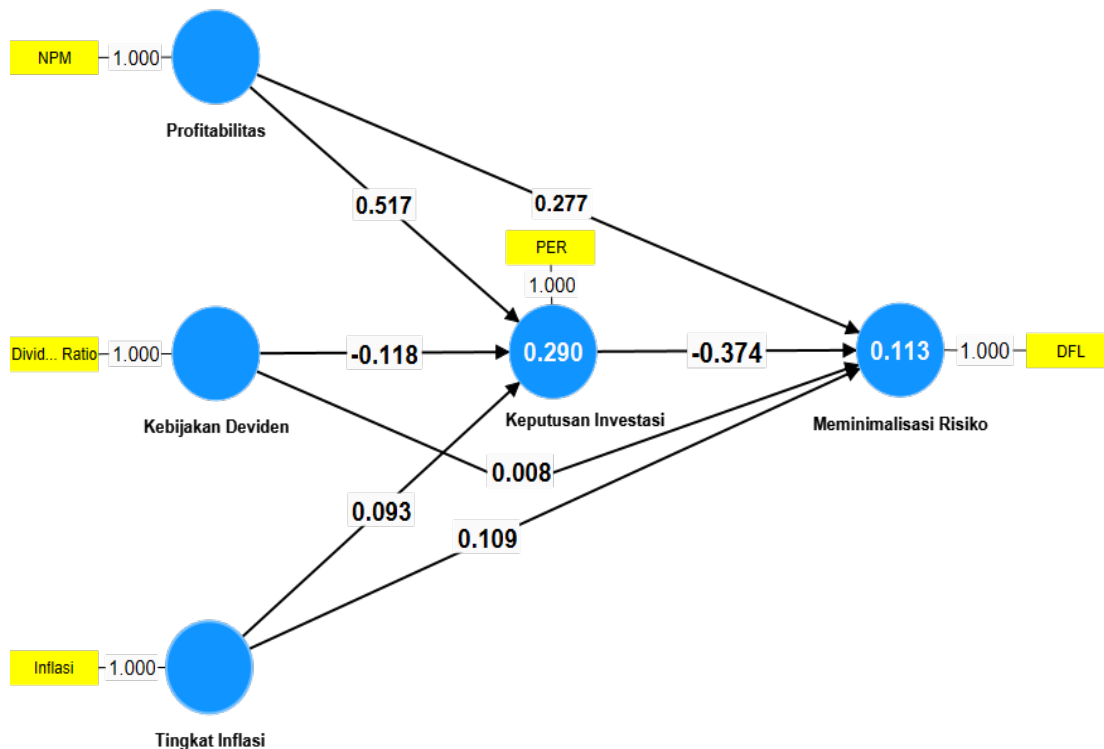
Table 1. Descriptive Statistics

|                     | N  | Min   | Max  | Mean   | Std.Dev |
|---------------------|----|-------|------|--------|---------|
| Risk Minimization   | 60 | -4.43 | 6.32 | 2.4448 | 2.03861 |
| Investment Decision | 60 | -.23  | 2.13 | .4328  | .60342  |
| Profitability       | 60 | -.11  | 3.02 | .4022  | .52424  |
| Dividend Policy     | 60 | .00   | 3.24 | .1353  | .42110  |
| Inflation           | 60 | 1.57  | 5.51 | 2.6480 | 1.48873 |

Based on the descriptive statistics, all research variables have a total sample size (N) of 60. The risk minimization variable has an average of 2.4448 with a fairly large data spread, while investment decisions have an average of 0.4328 with a relatively smaller variation. Profitability shows an average of 0.4022 with a moderate spread, while dividend policy has the lowest average of 0.1353 and a distribution that tends to be concentrated. The inflation rate has the highest average of 2.6480, with a relatively stable variation. In general, differences in the average and standard deviation indicate that each variable has distinct characteristics and levels of data spread.

An outer model evaluation was conducted to ensure that the indicators used were accurate in measuring the variables. In this study, each variable used a single indicator (single-item construct). The results of the loading factor test are shown in the following figure.

Figure 1. Outer Model



**Note:** Propitabilitas = Profitability, Kebijakan Deviden = Dividend Policy, Tingkat Inflasi = Inflation Rate, Keputusan Investasi = Investment decision, Minimalisasi Risiko = Risk minimalization

It can be seen that the loading factor values for the variables Profitability, Dividend Policy, Inflation Rate, Investment Decisions, and Risk Minimization all equal 1.000. Statistically, this value meets the minimum requirement of 0.70. This indicates that all indicators have high validity and are highly reliable in representing their respective variable constructs in subsequent analysis.

An inner-model evaluation was conducted to examine relationships among constructs, their significance values, and the research model's ability to predict the influence of Profitability, Dividend Policy, and Inflation Rate on Risk Minimization through Investment Decisions. In this study, the structural model evaluation was conducted through three testing stages:

#### 1) Coefficient of Determination (R<sup>2</sup>).

The coefficient determination measures the extent to which changes in the dependent variable are explained by the independent variables in the model. R<sup>2</sup> values are grouped into three categories: 0.75 (strong), 0.50 (moderate), and 0.25 (weak). Based on the data processing results, the following R<sup>2</sup> values for the endogenous variables in this study are:

Table 2. Coefficient Determination

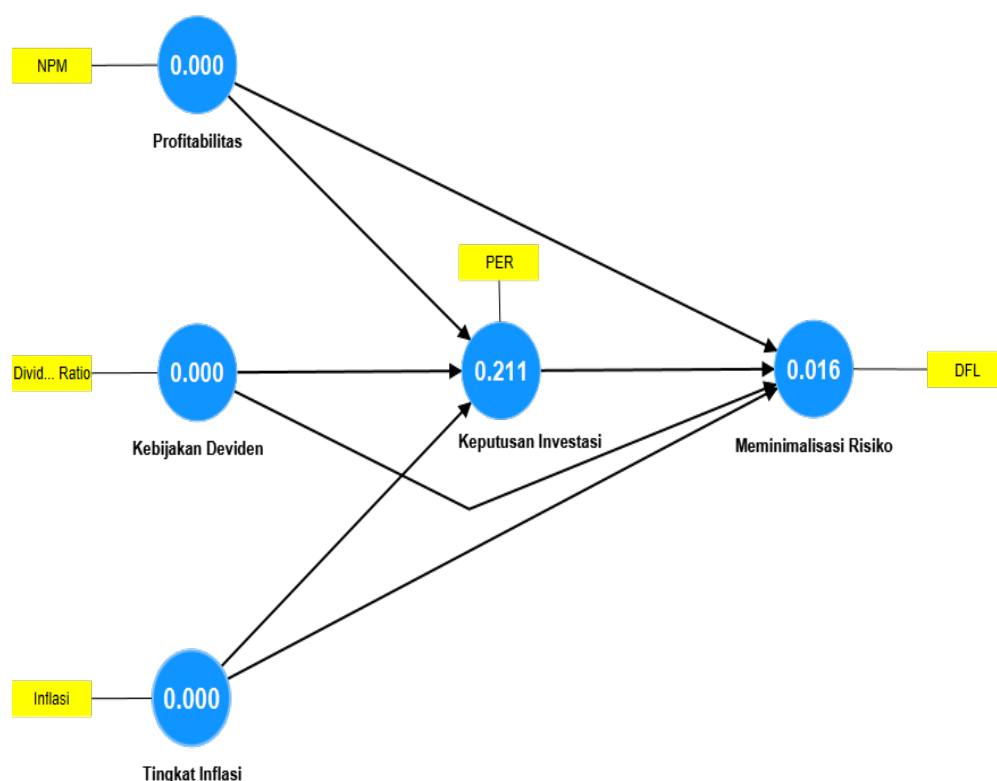
| Variables           | R-square | R-square adjusted |
|---------------------|----------|-------------------|
| Investment Decision | 0.290    | 0.252             |
| Risk Minimization   | 0.113    | 0.048             |

The R2 value for the Investment Decision variable was 0.290. This indicates that the variables Profitability, Dividend Policy, and Inflation Rate explain 29% of the variation in Investment Decisions, while other variables outside the model explain the remaining 71%. Meanwhile, the R2 value for Minimizing Risk is 0.113, indicating that the independent variables explain 11.3% of the company's financial risk.

## 2) Predictive Relevance (Q2)

Predictive relevance measures how well the observed values generated by the model and its parameter estimates match. If the Q2 value is greater than 0 (zero), the model has predictive relevance, meaning the independent variables can predict the dependent variable well. The results of the Q2 test are presented as follows:

Figure 2. Predictive Relevance



The results show that the Q2 values for Investment Decisions and Risk Minimization are 0.211 and 0.016, respectively. Since both values are greater than 0, it can be concluded that the structural model in this study has good predictive relevance and is suitable for use.

## 3) f-Square (f2)

The F2 test is used to determine the partial influence of each variable (its relative contribution) on the dependent variable. According to Hair et al. (2017), the F2 value criteria are 0.02 (small), 0.15 (medium), and 0.35 (large). The F2 test results are summarized in the following table:

Table 3. F-Square

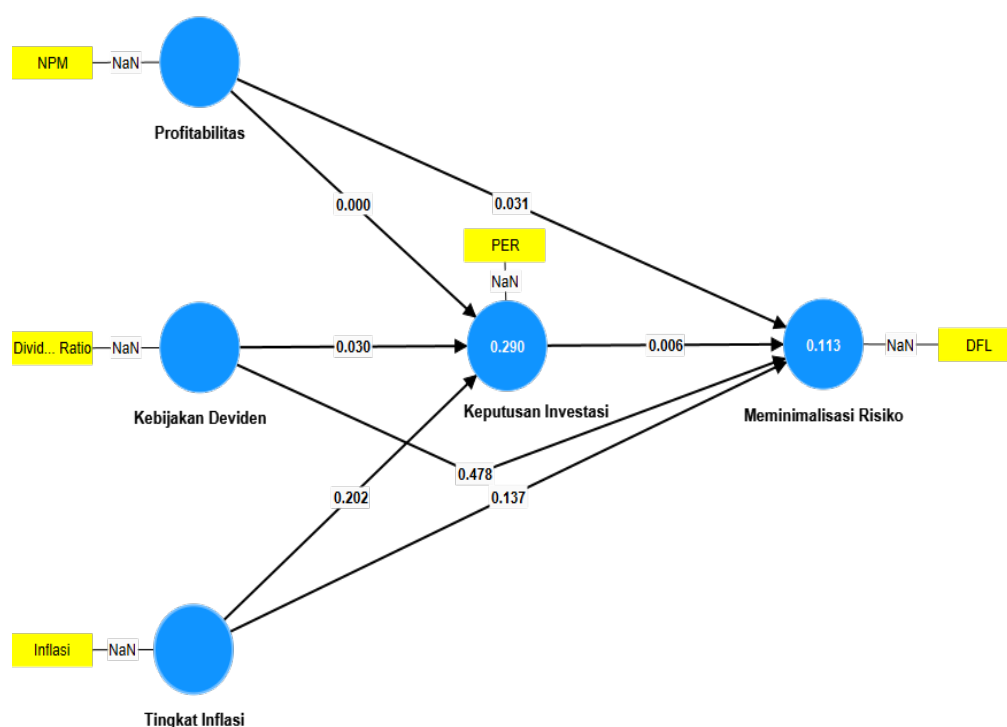
| Variables           | Investment Decision | Risk Minimization |
|---------------------|---------------------|-------------------|
| Dividend Policy     | 0.019               | 0.000             |
| Investment Decision | -                   | 0.112             |

|                   |       |       |
|-------------------|-------|-------|
| Risk Minimization | -     | -     |
| Profitability     | 0.376 | 0.062 |
| Inflation         | 0.012 | 0.013 |

Profitability has the greatest influence on Investment Decisions, with an  $f^2$  value of 0.376 (high category). Meanwhile, the Investment Decision variable has a medium influence on Risk Minimization, with a value of 0.112. Other variables, such as Dividend Policy and Inflation Rate, make relatively small contributions to the model's formation.

Hypothesis testing was conducted to determine the significance of the partial influence between variables. Based on the results of the bootstrapping process in SmartPLS software, the path coefficients, T-statistics, and P-values were obtained as follows:

Figure 3. t-test



1) The Effect of Profitability on Investment Decisions. Based on the test results, Profitability has a t-statistic of 3.371 and a P-value of 0.000. This indicates that Profitability has a positive and significant effect on Investment Decisions. The coefficient value of 0.517 indicates that the higher a company's profit level, the greater the investment attractiveness.

2) The Effect of Dividend Policy on Investment Decisions. Based on the test results, Dividend Policy has a t-statistic of 1.879 and a P-value of 0.030. This indicates that Dividend Policy has a significant effect on Investment Decisions. However, the coefficient value is negative (-0.118), indicating that excessive dividend distributions can actually lower the ratio of stock price to investment decisions in this sample.

3) The Effect of Inflation Rate on Investment Decisions. Based on the test results, the Inflation Rate has a t-statistic of 0.835 and a P-value of 0.202. This indicates that the inflation rate does not significantly influence investment decisions. Macroeconomic price fluctuations are not a primary consideration for investors when assessing the valuation of sample companies.

4) The Effect of Profitability on Risk Minimization. Based on the test results, profitability has a t-statistic of 1.863 and a p-value of 0.031. This indicates that profitability significantly influences risk minimization. The company's ability to generate profits has proven to be a strong financial cushion to mitigate financial risk.

5) The Effect of Dividend Policy on Risk Minimization. Based on the test results, dividend policy has a t-statistic of 0.056 and a p-value of 0.478. This indicates that dividend policy does not significantly influence risk minimization. The amount of dividends paid has not been shown to have a direct impact on a company's financial risk management. 6) The Effect of Inflation on Risk Minimization Based on the test results, the inflation rate has a t-statistic of 1.092 and a p-value of 0.137. This indicates that the inflation rate does not significantly influence risk minimization. Inflationary conditions do not exert sufficient pressure to change the company's financial risk management.

7) The Effect of Investment Decisions on Risk Minimization. Based on the test results, the investment decision has a t-statistic of 2.530 and a p-value of 0.006. This indicates that investment decisions significantly influence risk minimization. The negative direction of the relationship (-0.374) indicates that the more aggressive a company's investment decisions, the more difficult it is to minimize financial risk.

The Effect of Profitability on Investment Decisions. Based on statistical testing results, profitability was found to have a significant effect on investment decisions. This indicates that the higher a company's profitability, the greater the investor's tendency to invest. Specifically, profitability, measured by the Net Profit Margin (NPM), influences investment decisions, as proxied by the Price Earnings Ratio (PER). NPM is calculated as net profit divided by sales, so an increase in net profit will drive an increase in NPM. High net profit indicates a company's ability to manage costs efficiently and generate optimal profits. This provides a positive signal to investors that the company has good financial performance, thus increasing investor confidence in investing ([Haikal et al., 2025](#)). Consequently, investors are more willing to pay a higher share price, which is reflected in increased Investment Decisions. Related to this phenomenon, Investment Decisions fluctuated in the 2020–2022 period and tended to decline in the 2022–2024 period. Meanwhile, profitability showed an upward trend from 2020 to 2024, indicating that the company's net profit also increased. This condition indicates that although the company consistently increased net profit, investment decisions, as reflected in the PER, did not always move in the same direction. These fluctuations and declines could be influenced by external factors such as macroeconomic conditions, inflation, interest rates, and market uncertainty, which influence investor perceptions ([Belinda & Parameswari, 2024](#)). Theoretically, the relationship between profitability and investment decisions in this study is explained through Signaling Theory. This theory states that information provided by a company, such as net profit and profitability levels, serves as a signal for investors in assessing the company's prospects. An increase in net profit, reflected in a high NPM, is a positive signal (good news) that can attract investor interest. Conversely, if the market responds differently to this signal due to external conditions, investment decisions, as reflected in the PER, could fluctuate. This research aligns with the findings of [Sari and Pratama \(2021\)](#), who found that profitability has a strong positive correlation with investment decisions in the manufacturing sector, with investors tending to pursue stocks of companies with strong profit fundamentals. Furthermore, [Hidayat \(2023\)](#) emphasized that a high rate of return on assets is seen as a guarantee of capital security, protecting capital owners from the risk of loss. Therefore, any increase in profitability will always be followed by an increase in aggregate investment interest

in the capital market. In conclusion, profitability is a fundamental factor that directly determines the direction of investors' investment decisions. The integration between net profit achievement and a positive market response demonstrates that a company's internal financial health is a primary driver of capital inflows through competitive stock pricing mechanisms.

**The Effect of Dividend Policy on Investment Decisions.** The results of the study indicate that dividend policy significantly influences investment decisions, but with a negative relationship. This indicates that the higher a company's dividend policy, the less investor interest there is in making investment decisions, as reflected in the Price Earnings Ratio (PER). Dividend policy, as measured by the Dividend Payout Ratio (DPR), influences investment decisions, as proxied by the PER. The DPR is a ratio that indicates the proportion of net profit distributed to shareholders as dividends. A higher DPR means a greater share of net profit and a smaller share of retained earnings for reinvestment. Investors may perceive this as limiting the company's expansion and growth opportunities. Consequently, investors tend to view the company's prospects as less attractive, thus reducing investment interest and impacting the PER. In relation to the current phenomenon, the DPR experienced a spike in 2020, then increased again until it peaked in 2022, and then experienced a significant decline in 2024. Meanwhile, the Net Profit Margin (NPM) actually increased annually from 2020 to 2024, indicating that the company's net profit continued to increase. This condition indicates that although the company has good profit-generating capabilities, an unstable dividend distribution policy sends mixed signals to investors. When the DPR is high, investors may perceive the company as focusing more on profit distribution than on expansion. In contrast, a declining DPR can be interpreted as the company's attempt to retain profits for reinvestment. This difference in perception causes investment decisions, as reflected in the PER, to fluctuate and tend to decline. Theoretically, the relationship between dividend policy and investment decisions can be explained through Signaling Theory. This theory states that dividend policy is a signal a company sends to investors about its future condition and prospects. High dividend payments can be a positive signal of a company's ability to generate profits, but they can also be interpreted as a signal of limited investment opportunities. Conversely, a decrease in the DPR can be interpreted as a signal that the company has expansion plans and requires internal funding. This finding supports the research by [Husein and Kharisma \(2020\)](#), which found that income distribution policies often pose a dilemma between satisfying shareholders and maintaining internal liquidity. This research also supports [Wulandari \(2022\)](#) argument that a dividend policy that is not aligned with reinvestment needs can negatively affect perceptions among long-term investors, who prioritize growth in company value (capital gains) over current cash dividend income. It can be concluded that dividend policy is a highly sensitive instrument influencing investment decisions. Companies need to carefully formulate profit distribution percentages to avoid disrupting the capital structure and giving investors the impression of declining growth prospects.

**The Effect of Inflation on Investment Decisions.** Hypothesis testing proves that the inflation rate does not significantly influence investment decisions. The inflation rate, proxied by the Consumer Price Index (CPI), is an index number that indicates the price level of goods and services that consumers must purchase within a given period, reflecting changes in the prices of goods and services in general. Meanwhile, investment decisions are proxied by the PER (Price-to-Earnings Ratio), which reflects how much investors value a company's earnings per share. In theory, rising inflation can erode purchasing power and increase operating costs, potentially depressing profits and reducing investor interest. However, the results of this study

indicate that changes in the CPI have no significant effect on the PER. This indicates that investors continue to consider a company's fundamental factors, such as net profit and profitability (NPM), which, in this study, actually increased annually. In relation to the current situation, Indonesia's inflation rate increased to 2.65% in September 2025 from 2.31% in August, the highest level since May 2024. This increase was driven primarily by rising food prices, while inflation slowed in several other sectors. Despite the increase, the inflation rate remained within Bank Indonesia's target range of 1.5% to 3.5%, making it relatively stable and manageable. This relatively stable inflationary environment has led investors to be less responsive to changes in inflation when making investment decisions. Furthermore, the increase in Net Profit Margin (NPM) from 2020 to 2024 indicates that companies were still able to increase net profits despite inflation fluctuations, further supporting the reason why inflation did not significantly impact PER. Theoretically, the relationship between inflation rates and investment decisions can be explained through Signaling Theory. In this context, information on inflation from the CPI serves as a signal to investors about macroeconomic conditions. However, because the inflation rate remains within reasonable, stable limits, the signal it provides is not strong enough to significantly influence investor perceptions. Investors tend to respond more to internal company signals, such as increases in net profit and profitability, than to external signals such as inflation. In line with this, [Rusdi, Rinofah and Maulida \(2025\)](#) research shows that inflation does not necessarily reduce investment interest when overall economic conditions remain stable. This finding is also supported by [Kasmir \(2019\)](#), who stated that in market risk analysis, internal variables such as liquidity and profitability often have greater weight in influencing investor decisions than monetary variables such as inflation, which have a uniform impact across all industrial sectors. However, this research disagrees with [Hidayat \(2023\)](#) findings, which stated that the inflation rate influences investment decisions. In conclusion, the inflation rate is an external factor that cannot significantly change investor preferences in the short term. Investment interest in manufacturing companies remains strong as long as internal fundamental factors continue to show a positive trend, offsetting pressures from the macroeconomic environment.

**The Effect of Profitability on Risk Minimization.** Statistical testing found that profitability significantly affects risk minimization. This indicates that the higher a company's profitability, the more capable it is of mitigating its risks. Specifically, profitability, as measured by Net Profit Margin (NPM), influences the level of risk, as measured by the Degree of Financial Leverage (DFL). A high NPM indicates that a company can generate optimal net profit from its sales. High net profit provides the company with room to meet fixed obligations such as interest expenses, thereby mitigating financial risk. Conversely, if net profit is low, the company will be more vulnerable to risk, particularly debt-related risk. Therefore, an increase in NPM tends to lower DFL, thereby minimizing the company's risk. In relation to the current phenomenon, the level of risk, as measured by the Degree of Financial Leverage (DFL), in the manufacturing sector has shown significant fluctuations from the onset of the pandemic through 2024. Interpretively, these fluctuations illustrate that small changes in a company's performance can lead to significant shifts in the risks it faces. This high risk is an important signal for investors because if production or sales decline, the company's potential losses can increase significantly. On the other hand, the Net Profit Margin (NPM) actually showed an upward trend from 2020 to 2024, indicating the company's net profit is improving. This indicates that increased profitability can offset fluctuations in risk, enabling the company to manage financial risk better. Theoretically, the relationship between profitability and risk minimization can be

explained through Signaling Theory. According to this theory, high net profit, as reflected in NPM, signals to investors a company's ability to manage risk and maintain financial stability. Companies with high profitability are considered to have lower risk because they can meet their financial obligations. Conversely, low profitability sends a negative signal because it indicates the company's limitations in dealing with financial pressures ([Lesmana et al., 2025](#)). This research aligns with the findings of a study by [Sari and Pratama \(2021\)](#), which showed that a high return on assets significantly reduces a company's financial risk. Furthermore, these findings support [Wulandari \(2022\)](#) research, which found that profitable companies are perceived as having more mature risk management due to the availability of resources to mitigate various business threats that may suddenly emerge. Profitability plays a strategic role as the most effective financial risk mitigation instrument. Strengthening profit capacity not only reflects sales success but also serves as a key foundation for maintaining a healthy company capital structure against various long-term financial risks.

**The Effect of Dividend Policy on Risk Minimization.** The test results show that dividend policy has no significant effect on risk minimization efforts. This indicates that the dividend policy established by a company does not directly affect the risk it faces. The Dividend Payout Ratio (DPR) measures the proportion of net profit distributed to shareholders as dividends. Meanwhile, company risk is proxied by the Degree of Financial Leverage (DFL), which measures the sensitivity of a company's profits to changes in operating profit resulting from debt. Theoretically, the higher the DPR, the less retained earnings available for internal financing, potentially increasing reliance on debt and financial risk. However, in this study, the DPR did not significantly affect the DFL, indicating that changes in dividend policy do not significantly affect the company's risk level. In relation to the current phenomenon, the dividend policy (DPR) experienced significant fluctuations: a spike in 2020, a subsequent increase to a peak in 2022, and a significant decline in 2024. Conversely, the risk level, as measured by the Dividend Flow Rate (DFL), also showed high fluctuations from the onset of the pandemic until 2024. This condition indicates that changes in the DFL did not consistently follow changes in the DPR. This means that even though companies change their dividend distribution policy, it does not directly affect the level of risk they face. Company risk is influenced more by factors such as capital structure, debt use, and operational conditions. Theoretically, the relationship between dividend policy and risk minimization can be explained through Signaling Theory. A dividend policy is a signal a company sends to investors about its financial condition. However, in the context of this study, the signal provided through the DPR is not strong enough to influence perceptions of company risk. Investors tend to pay more attention to other factors directly related to risk, such as the company's ability to generate profits and manage debt ([Sari & Pratama, 2021](#)). In conclusion, dividend policy cannot serve as the primary tool in a risk-minimization strategy. Management must remain focused on managing liabilities and strengthening overall financial fundamentals, as the profit distribution policy has not been proven to significantly reduce the financial risk burden.

**The Effect of Inflation on Risk Minimization.** The test demonstrated that the inflation rate did not significantly impact risk minimization. Macroeconomic inflationary conditions did not exert significant pressure or impact to alter the financial risk profile of the manufacturing companies studied. The inflation rate in this study was measured using the Consumer Price Index (CPI), which reflects changes in the general prices of goods and services. Meanwhile, corporate risk was proxied by the Degree of Financial Leverage (DFL), which indicates the sensitivity of corporate profits to changes in operating profit, driven by fixed expenses such as

interest. Theoretically, rising inflation can increase operating costs and depress corporate profits, ultimately increasing risk. However, the results of this study indicate that changes in the CPI did not significantly impact DFL. This indicates that companies can adapt to changes in inflation, so the impact on risk is not significant. In the current situation, Indonesia's inflation rate has increased but remains within Bank Indonesia's target range, making it relatively stable and manageable. This relatively stable inflationary environment limits its impact on corporate risk. On the other hand, the DFL risk measure showed significant fluctuations from the start of the pandemic through 2024, suggesting that internal factors, such as capital structure and debt, more influenced the company's risk. Furthermore, the Net Profit Margin (NPM) increased annually from 2020 to 2024, indicating that the company continued to increase net profit despite inflation, thereby strengthening the argument that inflation does not significantly affect risk. Theoretically, the relationship between inflation and risk minimization can be explained through Signaling Theory. Information about inflation reflected in the CPI signals macroeconomic conditions for investors and companies. However, because the inflation rate is stable, this signal is not strong enough to influence the company's risk perception. Companies and investors tend to focus more on internal factors such as profitability and financial management when assessing risk ([Wijaya & Yanti, 2025](#)). In line with this, research by [Sukhorukova, Maksimov and Fomin \(2020\)](#) shows that risk minimization efforts are more effective when internal risk assessment methods are integrated. A company's resilience in the face of economic and monetary dynamics depends more on management flexibility in responding to market changes than on the inflation rate itself.

**The Influence of Investment Decisions on Risk Minimization.** The results of the study indicate that investment decisions significantly influence risk minimization, but with a negative relationship. This indicates that the more aggressive a company's investment decisions, the more difficult it is to minimize financial risk. Investment decisions in this study are proxied by the Price Earnings Ratio (PER), which reflects how the market assesses a company's future growth prospects. Meanwhile, risk minimization is proxied by the Degree of Financial Leverage (DFL), which indicates the sensitivity of a company's earnings to changes in fixed costs. A high PER typically reflects high investor expectations for company growth. However, these expectations are often accompanied by increased investment and expansion activities that require greater funding, including the use of debt. This condition can increase a company's fixed costs and affect DFL, thereby increasing its risk ([Wijaya & Yanti, 2025](#)). In relation to the current phenomenon, the PER fluctuated in the 2020–2022 period and tended to decline in the 2022–2024 period. On the other hand, the DFL-measured risk showed significant fluctuations from the start of the pandemic through 2024. This indicates that changes in investment decisions, as reflected in the PER, are related to changes in the company's risk level. When companies or investors encourage increased investment, this can increase potential risk, especially if supported by high leverage. Conversely, when the PER decreases, it can reflect a decline in investment expectations, which also affects risk adjustments. Theoretically, the relationship between investment decisions and risk minimization can be explained through Signaling Theory. Investment decisions reflected in the PER provide investors with signals regarding the company's growth prospects. A high PER is a positive signal (good news), but can also be interpreted as high growth expectations accompanied by increased risk. Conversely, a lower PER can signal a company's caution in expanding, thus better managing risk. Therefore, investor responses to these signals influence the relationship between investment decisions and risk levels. This is supported by research by [Hidayat \(2023\)](#), which emphasizes the need for in-

depth analysis before making investment decisions to minimize the potential for failure. Research by [Yunita \(2020\)](#) further supports this finding, stating that misallocating funds to risky investments can worsen a company's financial position, underscoring the importance of balancing asset growth and capital security for risk mitigation. In conclusion, investment decisions significantly impact a company's risk profile. Management needs to apply the principle of prudence in selecting investment instruments to ensure that expansion does not weaken the manufacturing company's financial defenses in the future.

**Profitability on Risk Minimization through Investment Decisions.** The results of the mediation test indicate that investment decisions significantly mediate the effect of profitability on risk minimization. This means that a company's profits do not automatically reduce risk; instead, they must be managed through appropriate investment decisions to create a robust financial protection system. Profitability, as measured by Net Profit Margin (NPM), reflects a company's ability to generate net income. An increase in net profit provides a positive signal to investors regarding the company's performance and prospects. This signal then influences investment decisions, as proxied by the Price Earnings Ratio (PER). Higher profitability increases investor confidence, thereby raising the PER, which in turn influences investment decisions. However, high investment decisions do not always reduce risk. As in previous research, investment decisions (PER) negatively affect risk minimization, as proxied by the Degree of Financial Leverage (DFL). This means that increased investment decisions tend to be accompanied by increased risk, primarily due to expansion and the use of greater funding sources, including debt. Thus, high profitability will encourage greater investment, ultimately affecting the company's risk level. Concomitantly, the Net Profit Margin (NPM) increased from 2020 to 2024, indicating continued growth in the company's net profit. This situation has driven increased investor interest, reflected in the PER (Period of Return on Assets) movement, despite fluctuations. Conversely, the risk level, as measured by the Dividend Payout Ratio (DFL), has shown significant fluctuations from the onset of the pandemic to 2024. This indicates that increased profitability does not directly reduce risk; rather, it is influenced by investment decisions, which ultimately determine the company's risk level. Theoretically, this relationship can be explained by Signaling Theory, which states that high net profit signals to investors when making investment decisions. This signal encourages increased investment activity but can also raise growth expectations, which in turn increase risk. Therefore, investment decisions act as an intervening variable that strengthens the relationship between profitability and risk minimization. This research aligns with a study by [Sari and Pratama \(2021\)](#), which stated that investments based on stable profitability have a strong correlation with reduced systematic risk. Furthermore, these findings reinforce [Wulandari \(2022\)](#) argument that investment decisions act as a mechanism that converts potential profits into real resilience, enabling profitable manufacturing companies to leverage their assets to mitigate various market uncertainties. Investment decisions play a crucial role in bridging the gap between profit generation and risk reduction efforts. A company's success in minimizing risk depends heavily on how wisely management allocates profits into investments that strengthen the company's fundamentals.

**Dividend Policy on Risk Minimization through Investment Decisions.** Based on the mediation test results, investment decisions were found to have no significant effect on the dividend policy's impact on risk minimization. This relationship path indicates that profit distribution policy does not significantly impact risk reduction through the company's investment activities. Dividend policy, as proxied by the Dividend Payout Ratio (DPR), reflects the proportion of net profit distributed to shareholders. Theoretically, changes in the DPR can influence investment

decisions, as proxied by the Price Earnings Ratio (PER), because dividends signal a company's financial condition to investors. However, in this study, despite fluctuations in the DPR, investment decisions failed to transmit this influence into risk minimization, as proxied by the Degree of Financial Leverage (DFL). This can be explained by the fact that investment decisions (PER) are more influenced by factors such as profitability and company growth prospects than by dividend policy. Furthermore, as in previous research, dividend policy also does not have a significant direct effect on risk minimization. This condition renders the indirect pathway through investment decisions insignificant. In relation to the current phenomenon, the DPR experienced quite sharp fluctuations, increasing in 2020, peaking in 2022, and then declining significantly in 2024. Meanwhile, the PER, a reflection of investment decisions, also fluctuated, while the DFL remained at an unstable level of risk from the onset of the pandemic through 2024. The discrepancy in the movement patterns between these variables indicates that changes in dividend policy did not consistently influence investment decisions or the company's risk level. Theoretically, from a Signaling Theory perspective, dividend policy can indeed serve as a signal to investors. However, in the context of this research, the signal provided by the DPR is not strong enough to sustainably influence investment decisions. It therefore cannot be passed on to affect the company's risk level. Investors tend to respond more to signals derived from a company's fundamental performance, such as net income, than to dividend policy ([Begawati & Anggraini, 2025](#)). This finding aligns with [Ghozali \(2020\)](#) which emphasized that the balance between dividends and investments is often insufficient to create a systematic pattern of risk mitigation in the eyes of stakeholders. In conclusion, investment decisions fail to serve as a connecting variable between dividend policy and risk minimization efforts. Profit distribution policies remain a tool for satisfying investors, while risk protection strategies require more technical managerial measures and a focus on independent asset management.

**Inflation Level on Risk Minimization through Investment Decisions.** The test results demonstrate that investment decisions do not significantly mediate the effect of the inflation rate on risk minimization. Macroeconomic pressure, in the form of inflation, cannot be translated into a risk protection mechanism through investment policies adopted by manufacturing company management. The inflation rate, measured using the Consumer Price Index (CPI), reflects macroeconomic conditions that can affect a company's purchasing power and operating costs. Theoretically, changes in inflation can influence investment decisions, as proxied by the Price-Earnings Ratio (PER), because inflation is one of the considerations investors take into account when assessing market prospects. However, in this study, changes in the inflation rate did not significantly influence investment decisions. They therefore could not be passed on to influence the level of risk, as proxied by the Degree of Financial Leverage (DFL). This finding aligns with previous direct tests, which showed that the inflation rate had no significant effect on investment decisions or risk minimization. This indicates that inflation is not a dominant factor in determining investor behavior or a company's risk level, especially when inflation remains stable. In relation to the current situation, Indonesia's inflation rate has increased but remains within Bank Indonesia's target range, making it relatively stable and manageable. Meanwhile, the PER (Investment Price Index), an indicator of investment decisions, and the DFL (Risk Flow Rate), a risk indicator, have exhibited significant fluctuations from the onset of the pandemic through 2024. This discrepancy in patterns indicates that changes in inflation do not directly or indirectly influence investment decisions or corporate risk levels. Theoretically, from a Signaling Theory perspective, the inflation rate signals macroeconomic conditions for investors. However, because inflation remains relatively stable,

the signal provided is not strong enough to influence investment decisions. Investors tend to respond more to internal company signals, such as profitability, than external signals, such as inflation. Therefore, the mediation pathway through investment decisions is insignificant. This research is supported by [Brigham and Houston \(2021\)](#) which explain that in conditions of high inflation, companies focus more on securing short-term cash flow than on strategic reinvestment aimed at minimizing long-term risk. Investment decisions cannot act as an intervening variable between the inflation rate and risk minimization. Stable internal fundamental factors largely determine corporate risk management, while inflationary pressures are addressed through different operational strategies beyond the company's investment policy.

## 5. Conclusion

It can be concluded that there is significant effect of profitability, dividend policy and inflation on minimizing risk with investment decision as intervening variable in manufacturing firms listed on the Indonesian Stock Exchange. Companies are expected to further improve their financial performance, particularly in generating net profit, as profitability has been shown to influence investment decisions and significantly minimize risk. Furthermore, companies need to be more prudent in setting dividend policies to avoid reducing future growth opportunities. Companies are also advised to optimally manage their capital structure, particularly debt use, to effectively manage financial risk, as reflected in the Degree of Financial Leverage (DFL). Investors are advised to pay closer attention to a company's fundamental factors, particularly profitability (NPM), when making investment decisions, as this has been shown to have a significant impact on investment returns. It is recommended to focus more on internal fundamental variables, such as profit and investment policies, rather than on macroeconomic factors like inflation when determining investment objectives.

## References

- Begawati, N., & Anggraini, M. D. (2025). Pengaruh Kebijakan Dividen Terhadap Harga Saham Dengan Tipe Investor Sebagai Variabel Moderating: Studi Empiris Pada Perusahaan Makanan dan Minuman Yang Terdaftar Di Bei Periode Tahun 2019-2023. *Jurnal Akademi Akuntansi Indonesia Padang*, 5(1), 217-242. DOI: <https://doi.org/10.31933/0can7422>
- Belinda, J., & Parameswari, R. (2024). Pengaruh Financial Leverage, Kebijakan Dividen, dan Earning Per Share Terhadap Nilai Perusahaan. *eCo-Sync: Economy Synchronization*, 1(4).
- Brigham, E. F., & Houston, J. F. (2021). *Fundamentals of financial management* (15th ed.). Cengage Learning.
- Buheji, M. (2022). Mitigating the risks of inflation on the poor. *International Journal of Management (IJM)*, 13(9), 1-13. DOI: <https://doi.org/10.17605/OSF.IO/62MFA>
- Coibion, O., Gorodnichenko, Y., & Weber, M. (2018). Monetary policy communications and their effects on household inflation expectations. *Journal of Political Economy*, 130(6), 1537–1584. DOI: <https://doi.org/10.1086/718589>
- Dewi, N. P. S., Kepramareni, P., & Yuliasuti, I. A. N. (2020). Analisis faktor-faktor yang berpengaruh terhadap keputusan investasi pada perusahaan perbankan di bursa efek indonesia. *Kumpulan Hasil Riset Mahasiswa Akuntansi (KHARISMA)*, 2(3). <https://e-journal.unmas.ac.id/index.php/kharisma/article/view/1495>

- Fahmi, I. (2020). Pengantar manajemen keuangan (7th ed.). Alfabeta.
- Fajaria, A. Z., & Isnalita. (2018). The effect of profitability, liquidity, leverage and firm growth of firm value with its dividend policy as a moderating variable. *International Journal of Managerial Studies and Research*, 6(10), 55–69. DOI: <https://doi.org/10.20431/2349-0349.0610005>
- Ghozali, I. (2020). Structural equation modeling: Metode alternatif dengan Partial Least Squares (PLS) (5th ed.). Badan Penerbit Universitas Diponegoro.
- Haikal, M. F., Putri, H. F., Zahratunisa, N., Salsabila, D. P., Ferdian, P. R., Fitriyani, N., ... & Azzahro, W. R. (2025). Analisis Profitabilitas dalam Kinerja Keuangan dan Ukuran terhadap Nilai Perusahaan di PT. IBU (Indo Beras Unggul). *JUMBIWIRA: Jurnal Manajemen Bisnis Kewirausahaan*, 4(1), 204-217. DOI: <https://doi.org/10.56910/jumbiwira.v4i1.2076>
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). A primer on partial least squares structural equation modeling (PLS-SEM) (2nd ed.). Sage Publications.
- Hidayat, R. (2023). Analisis Faktor-Faktor yang Mempengaruhi Keputusan Investasi di Era Digital. *Jurnal Ekonomi Modern*, 18(3), 210-225.
- Husein, M. Y., & Kharisma, F. (2020). Pengaruh Kebijakan Dividen Terhadap Harga Saham Pada Perusahaan Manufaktur di Bursa Efek Indonesia (BEI). *Borneo Studies and Research*, 1(2), 1061-1067. <https://journals.umkt.ac.id/index.php/bsr/article/view/744>
- Kasmir. (2019). Analisis laporan keuangan. PT RajaGrafindo Persada.
- Lesmana, A. T., Rasyid, A., Zakaria, Z., Noch, M. Y., & Pasolo, F. (2025). Determinasi Ukuran Perusahaan dan Profitabilitas terhadap Nilai Perusahaan Melalui Struktur Modal. *Advances in Management & Financial Reporting*, 3(3), 559-579. DOI: <https://doi.org/10.60079/amfr.v3i3.565>
- Ovami, D. C., & Nasution, A. A. (2020). Pengaruh Kebijakan Dividen Terhadap Nilai Perusahaan yang Terdaftar dalam Indeks LQ 45. *Owner: Riset dan Jurnal Akuntansi*, 4(2), 331-336. DOI: <https://doi.org/10.33395/owner.v4i2.247>
- Prastowo, D. (2023). Analisis laporan keuangan: Konsep dan aplikasi. UPP STIM YKPN.
- Putri, O. W. P., Sonia. O. A., Prasetyo, M. A., Fitri, J., & Lusiana. (2025). *Keputusan Investasi*. Fahmi Karya.
- Rusdi, M. I., Rinofah, R., & Maulida, A. (2025). Keputusan Investasi dan Kebijakan Dividen dengan Profitabilitas Sebagai Moderasi dalam Mempengaruhi Nilai Perusahaan pada Sektor Manufaktur yang Terdaftar di Bursa Efek Indonesia. *Digital Bisnis: Jurnal Publikasi Ilmu Manajemen dan E-Commerce*, 4(1), 57-72. DOI: <https://doi.org/10.30640/digital.v4i1.3794>
- Sari, N. K., & Pratama, A. (2021). Pengaruh Profitabilitas dan Ukuran Perusahaan Terhadap Keputusan Investasi pada Sektor Manufaktur. *Jurnal Akuntansi dan Keuangan*, 10(2), 145-158.
- Sukirno, S. (2019). Makroekonomi teori pengantar (3rd ed.). PT RajaGrafindo Persada.
- Sukhorukova, I. V., Maksimov, D. A., & Fomin, G. P. (2020, October). Methods of risk

minimization in investment and construction projects. In *IOP Conference Series: Materials Science and Engineering* (Vol. 945, No. 1, p. 012013). IOP Publishing. DOI: <https://doi.org/10.1088/1757-899X/945/1/012013>

Yunita, M. D. (2020). Analisis Keputusan Investasi Pada Perusahaan Manufaktur yang Terdaftar Di Bursa Efek Indonesia. *Cakrawala Management Business Journal*, 3(1), 536-546. <https://journal.feb.unipa.ac.id/index.php/cmbj/article/view/63>

Wijaya, K., & Yanti, L. D. (2025). Pengaruh Pertumbuhan Perusahaan, Profitabilitas, Solvabilitas dan Kebijakan Dividen terhadap Nilai Perusahaan. *eCo-Fin*, 7(3), 1728-1739. DOI: <https://doi.org/10.32877/ef.v7i3.3142>

Wulandari, S. (2022). Teori Sinyal: Bagaimana Laba Mempengaruhi Persepsi Investor di Bursa Efek Indonesia. *Jurnal Manajemen Bisnis*, 15(1), 40-52.

### Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>)

