

The Effect of Financial Performance on Value Company (Dividend Policy as A Moderating Variable) in Manufacturing Companies on The Indonesia Stock Exchange

Tommy Kristian Catur Nugroho¹, Muhammad Nurdin², Tusiana Dewi³
^{1,2,3}STIM Banjarmasin

E-mail: tommy_kristian@rocketmail.com

Received: Agustus, 2022; Accepted: Month, 20XX; Published: Month, 20XX

Abstract

The purpose of this study was to determine and analyze the influence of financial performance on company value (dividend policy as a moderating variable) in manufacturing companies in the Indonesia stock exchange simultaneously and partially. on Dividend Policy in Manufacturing companies listed on the Indonesia Stock Exchange and analyzing which variables among the Liquidity Profitability Leverage variables have the dominant influence on company value in mining companies listed on the Indonesia Stock Exchange. This study used a quantitative research approach, where this quantitative approach required numerical data which were analyzed using multiple linear regression analysis using the SPSS program to test a number of hypotheses. The ratios used in this study are profitability ratios (Return On Assets/ROA) and liquidity ratios (Current Ratio/CR). The results of the study show that the results of simultaneous testing of the independent variables, namely working capital turnover, liquidity, capital structure and company size have an effect on the profitability of mining companies listed on the Indonesia Stock Exchange. The results of the partial test show that the independent variable is Liquidity, Profitability, Leverage on company value in Manufacturing companies listed on the Indonesia Stock Exchange..

Key Words : : Liquidity Profitability Leverage Dividend Policy
Company Value

INTRODUCTION

The establishment of a company must have a clear purpose. There are several things that suggest the purpose of the establishment of a company. The first goal is to achieve maximum profit. The second goal is to prosper the company owner or shareholder. While the third goal of the company is to maximize the value of the company which is reflected in its share price. The objectives of the three companies are substantially not much different. It's just that the emphasis to be achieved by each company is different from one another. (Harjito and Martono, 2005). This ratio measures the percentage of funds

provided by creditors. The announcement on the capital market shows the name of the share, the date of the announcement, the amount of dividends distributed and the type of dividend. The findings evidence shows: (1). Most of the respondents believe that dividend policy affects company value. (2). Respondents usually said they strongly agreed with the statement regarding the signaling explanation of dividend relevance. (3). Managers' views regarding the determination of current dividend payments are consistent with those reported by managers according to interviews conducted by Litner (1956) (Apriani, 2005). Research by Fitriyanti (2009) using DER and Jhojor (2009) using ROE found partial results similar to those found by Lestroyini (2010). The balance of achieving the goals of the company's stake holders has the opportunity to get optimal profits so that the company's performance will be assessed well by investors. Investors will respond positively to financial performance represented by good liquidity, leverage and profitability.

The title of this research is as follows the influence of financial performance on company value (dividend policy as a moderating variable) in manufacturing companies on the indonesia stock exchange.

Formulation of the problem Is the dividend policy capable? Based on the description of the background, the main issues in this study are:

1. Does liquidity have a significant effect on company value?
2. Is the dividend policy able to moderate the influence of liquidit to company value?
3. Does leverage have a significant effect on firm value?
4. Is the dividend policy able to moderate the effect of leverage on firm value?
5. Does profitability have a significant effect on firm value?
6. moderate the effect of profitability on firm value?

LITERATURE REVIEW

1. Corporate Values

Firm value is very important because with high corporate value, it will be followed by high shareholder prosperity. The higher the stock price, the higher the company value.

2. Financial Performance

Company performance is the result of many individual decisions made continuously by the management of a company. Performance also means that with certain inputs to obtain certain outputs.

3. Dividend

One of the returns that will be obtained by shareholders is dividends. According to Napa (1999: 151) dividends are part of the net profit distributed to shareholders (owners of their own capital).

4. Dividend Controversy

Dividend policy is still a matter of debate, because there is more than one opinion. Dividends are divided as much as – the amount of the argument for this opinion is that the share price is influenced by the dividends paid. This argument has an error in that an increase in dividend payments is only possible if the profits earned by the company also increase.



5. Dividends are irrelevant

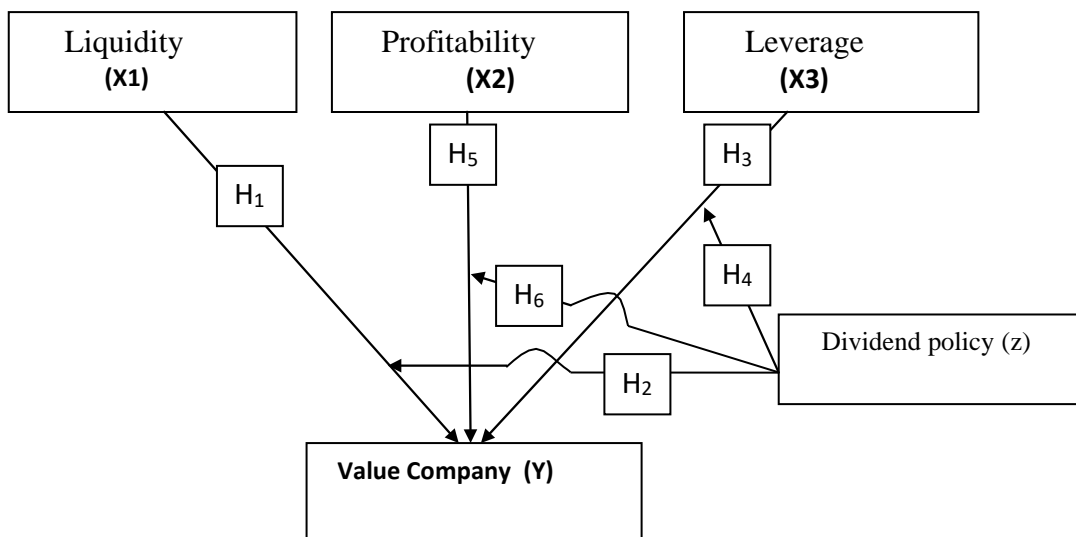
Those who hold this opinion say that companies can pay dividends that are large or small, as long as it is possible to cover the shortage of funds from external sources, so what matters is whether the available investment is expected to provide a positive NPV.

Previous Research

1. Research on the effect of liquidity on firm value has been investigated by Siregar (2010) with the object of research on manufacturing companies in the 2006-2008 period. Using a purposive sampling technique, the samples obtained were 61 companies. The results of the study found that partially and simultaneously liquidity has an effect on firm value which is reflected through its stock price.
2. Research on the effect of dividend policy has been investigated by Murtini (2008) research object of manufacturing companies in 2000-2004 with a sample of 22 companies. Murtini's research (2008) states that liquidity, which is assessed from the company's free cash flow, has an influence on firm value.
3. Sudaryo and Pratiwi (2016). examines the Effect of Capital Structure and Liquidity on Profitability and Their Impact on Financial Performance (Case Study of Property, Real Estate and Building Construction Companies Listed on the IDX LQ45 Period 2007-2014).
4. Sari and Hidayat (2017) researched the Effect of Capital Structure and Liquidity on the Profitability of Food and Beverage Companies on the IDX

Conceptual framework and research hypotheses

Hypothetical Conceptual Framework



Based on the previous discussion, the hypothesis can be formulated as follows.

H1: Liquidity has a significant positive effect on company value.

H2: Dividend policy is able to significantly moderate the effect of liquidity on firm value.



- H3: Leverage has a significant negative effect on firm value.
- H4: Dividend policy is able to significantly moderate the effect of leverage on firm value.
- H5: Profitability has a significant positive effect on firm value.
- H6: The dividend policy is able to significantly moderate the effect of profitability on firm value.

RESEARCH METHOD

Research Approach

This study used a quantitative research approach, where this quantitative approach required numerical data which were analyzed using multiple linear regression analysis using the SPSS program to test a number of hypotheses. This research was conducted at manufacturing companies listed on the Indonesia Stock Exchange for the period 2019 - 2022 obtained from www.idx.co.id., STIMI Investment Gallery, RHB Application, Bp. Hendra Kusuma JayaST. M.Eng (a Stock Trader), Mr. Djonathan Wiguna M.Sc (a Stock Trader) The type of data used is quantitative data.

Data Types and Sources

Data type

Based on its nature, the data used in this study are quantitative and qualitative data.

1. Quantitative data is. The quantitative data in this study are in the form of financial reports from manufacturing companies for the 2019-2022 period which are listed on the Indonesia Stock Exchange.
2. Qualitative data is qualitative data in this study is an explanation of the general description of the companies that are sampled in this study.

Data source

Based on the source, the data used in this study are all external secondary data, namely data that is not directly obtained from the company, but is obtained in the form of data that has been collected, processed and published by other parties, namely the Indonesian Stock Exchange in the form of data via the internet. (www.idx.co.id) and the STIMI Banjarmasin Campus Investment Gallery and assistance from Bp. Hendra Kusumajaya ST. M. Eng, p. Djonathan Wiguna M.Sc, in this case searching for financial data on the Indonesian stock exchange from 2019-2022.

Variable Definitions

Hypothesis testing and data analysis in this study can identify the variables that will be used in the research model, namely:

1. Dependent variable (\hat{Y}) or dependent variable is a variable that is influenced by independent variables. The dependent variable in this study is firm value.
2. Independent variable (X) or independent variable is a variable that influences other variables. The independent variable used in this study is financial performance consisting of liquidity, leverage and profitability.

3. Moderating Variable (Z) is a variable that strengthens or weakens the direct relationship between the independent variables and the dependent variable (Kusimadilaga, 2010).

Variable Operational Definition

Firm value is the value of expected future earnings calculated back at the right interest rate.

Population and Sample

The population of this study are companies in the manufacturing sector that have been listed on the Indonesia Stock Exchange in 2019-2022 and distributed dividends from 2019-2022, namely the number in the criteria is 30 companies out of 170 companies in the manufacturing sector. The sampling technique used was (purposive sampling). According to Nata Wirawan (2002: 115).

Regression Analysis

Regression analysis is basically a study of the dependence of the dependent variable with one or more independent variables,

1. Normality test

The assumption that the data is normally distributed is one of the important assumptions in conducting research with regression.

2. Heteroscedasticity test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residual one observation to another (Ghozali, 2010: 105). How to predict whether there is heteroscedasticity in a model can be seen from the scatterplot image pattern of the model. The basis of the analysis is as follows:

- a. If there is a certain pattern, such as the dots that form a certain regular pattern (wavy, widened then narrowed), then it indicates that heteroscedasticity has occurred.
- b. If there is no clear pattern, and the points spread above and below the number 0 on the Y axis, then there is no heteroscedasticity.

Hypothesis testing is carried out by statistical t test (Individual Parameter Significance Test), namely as follows: The t statistical test is carried out to show how far the influence of one independent variable individually in explaining the variation of the dependent variable (Kusumadilaga, 2010). The basis for the decision is:

1. If $t\text{-count} < t\text{-table}$, then the independent variables individually have no effect on the dependent variable (hypothesis is rejected).
2. If $t\text{-count} > t\text{-table}$, then the independent variables individually affect the dependent variable (hypothesis accepted). The t test can also be done by looking at the significance value of each variable at the output of the regression results using SPSS with a significance level of 0.05 ($\alpha = 5\%$).



RESULTS AND DISCUSSION

Research Result

In this section, the data for each variable in 219-2022 will be described which has been processed in terms of the average value and standard deviation of each variable.

1. Classical Assumption Test

Model is declared good for a prediction tool if it has the best linear unbiased estimator properties (Gujarati, 2007). The model is said to be good enough and can be used to predict if it has passed a series of tests of the underlying econometric assumptions.

2. Normality Test

The assumption that the data is normally distributed is one of the important assumptions in conducting research with regression. This test aims to test whether in the regression model, the independent, dependent and moderating variables are normally distributed or not.

3. Heteroscedasticity Test

A good regression model is one that has homoscedasticity or does not have heteroscedasticity. This test was carried out using a scatterplot graphical analysis between the predicted value of the dependent variable ZPRED and its residual SPRESID. From the scatterplot graph, it can be seen that the points spread randomly above and below the number 0 on the Y axis.

4. Regression analysis

Regression analysis used in this study is multiple linear regression and Moderated Regression Analysis to describe the effect of financial performance on firm value with dividend policy as a partial moderator. The results of the regression analysis can be seen in the following table:

Discussion

Based on the hypothesis testing that has been done, it is found that the company's financial performance as seen using liquidity and leverage indicators does not have a significant effect on firm value. Only profitability is able to have a significant positive effect on firm value. The results of research on each variable can be described as follows:

1. The effect of liquidity on firm value.

Liquidity in theory is positively related to firm value. The higher the liquidity, the higher the firm value and the lower the liquidity, the lower the firm value.

2. The effect of leverage on firm value.

Leverage in theory is negatively related to firm value. The higher the leverage, the lower the firm value and the lower the leverage, the higher the firm value.

3. Effect of profitability on firm value.

Profitability in theory is positively related to firm value. The higher the profitability, the higher the firm value and the lower the profitability, the lower the firm value.

4. Research Implications

The results of this study are that dividend policy is not able to moderate firm value, possibly because the time period for measuring the variables of



financial performance, dividend policy and firm value coincides. In fact, investors react after knowing the company's financial performance.

CONCLUSION AND SUGESTION

Conclusion

Liquidity (X1) has no significant positive effect on firm value. Dividend policy is not able to significantly moderate the effect of liquidity on firm value.

Leverage (X3) has no significant negative effect on firm value. Dividend policy is not able to significantly moderate the effect of leverage on firm value. Dividend policy cannot increase firm value when leverage is low and dividend policy cannot reduce firm value when leverage is high.

Profitability (X3) has a significant positive effect on firm value. Dividend policy is not able to significantly moderate the effect of profitability on firm value. Dividend policy cannot increase firm value when profitability is high and dividend policy cannot reduce firm value when profitability is low.

Table 1

Liquidity (X₁), Value Company (y) dan Dividend policy(z)

Descriptive Statistics

	Mean	Std. Deviation	N
y	1.80134	2.604522	120
x1	72.35497	85.777520	120
z	45.92833	38.403287	120
x1z	2967.507	4544.740488	120

Processed data sources, 2022

Table 2

Value Company (y) dan Dividend policy(z)

Descriptive Statistics

	Mean	Std. Deviation	N
y	1.80134	2.604522	120
x2	105.66651	174.967419	120
z	45.92833	38.403287	120
x2z	4929.462	7186.354016	120

Processed data sources, 2022

Table 3
Profitability (X₃), Value Company (y) dan Dividend policy(z)

Descriptive Statistics			
	Mean	Std. Deviation	N
y	1.80134	2.604522	120
x ₃	21.39542	17.667563	120
z	45.92833	38.403287	120
x ₃ z	1154.091	1887.415571	120

Processed data sources, 2022

Table 4 Regression analysis
Liquidity (x₁), Value Company (y) dan Dividend policy(z)
regression-model1a (parsial)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.028	0.311		6.517	0.000
x ₁	-0.003	0.003	-0.103	-1.129	0.261

regression-model1b (moderasi)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.969	0.454		2.137	0.035
x ₁	-0.005	0.004	-0.163	-1.256	0.212
z	0.020	0.008	0.301	2.676	0.009
x ₁ z	0.000	0.000	0.148	1.032	0.304

Processed data sources, 2022

Table 5 Regression analysis
Leverage (x₂), Value Company (y) dan Dividend policy(z)
regression-model2a (parsial)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.868	0.279		6.695	0.000
x ₂	-0.001	0.001	-0.042	-0.460	0.647

regression-model2b (moderasi)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.550	0.448		1.226	0.223
x2	0.001	0.003	0.063	0.273	0.785
z	0.030	0.010	0.447	2.980	0.004
x2z	0.000	0.000	-0.135	-0.510	0.611

Processed data souces, 2022

**Table 6 Regression analysis
Profitability (x3), value company (y) dan Dividend policy (z)
regression-model3a (parsial)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 Constant)	0.072	0.314		0.228	0.820
x3		0.011	0.548	7.124	0.000

regression-model3b (moderasi)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Coefficients		
1 (Constant)	-0.032	0.554		-0.057	0.955
x3	0.047	0.023	0.322	2.041	0.043
z	0.010	0.009	0.140	1.086	0.280
x3z	0.000	0.000	0.240	1.160	0.249

Processed data souces, 2022

Suggestion

Based on the research conclusions, the influence of liquidity and leverage variables is not significant with theoretical studies and previous research. The variable of profitability needs attention for both investors and potential investors to assess a company. Meanwhile, manufacturing companies need to pay attention to liquidity and leverage in order to have financial flexibility in achieving good company value for external parties. For further research it is suggested to use time lag on financial performance variables and dividend policy. Be careful in using debt for management, because the greater the debt will reduce the value of the company.



REFERENCES

- Anggia Prayitmo. 2008. Effect of Profitability, solveability and liquidity on stock prices in the property sector, Thesis, Faculty of Business and Management, Widyatama University.
- Anil and Kapoor. 2008. Determinants of Dividend Payout Ratios-A Study of Indian Information Technology Sector. International Research Journal of Finance and Economics. ISSN 1450-2887 Issue 15 (2008).
- Apriani, Lisa. 2005. Market Reaction to the Announcement of Increase/Decrease in Dividends. SNA VIII Solo, 15 – 16 September 2005.
- Arsintadiani, D and Harsono, M. (2002). Effect of LMX level on performance appraisal and job satisfaction with gender equality and locus of control as moderator variables. Perspective Journal, Volume 7, Number 2, December 2002: 113-122.
- Azaghia, R and Priya N, S. 2008. The Impact of Dividend Policy on Shareholders' Wealth. International Research Journal of Finance and Economics. ISSN 1450-2887 Issue 20 (2008).
- Baridwan, Z. 2004. Intermediate Accounting. BPFE Yogyakarta Publisher, Edition 8. Bebezuk.2004.Explaining
- Brigham and Houston. 2006. Fundamentals of Financial Management. Tenth Edition. Jakarta : Salemba Empat.
- C. Jensen, Michael. 2010. Value Maximization, Stakeholder Theory, and the Corporate Objective Function.(online).(http://ssrn.com/abstract=220671)
- Dividend Policies in Argentina. (online), (http://www.academicjournal.org)
- Gitosudarmo, Indriyo and Basri. 2008. Financial Management. Fourth Edition. Yogyakarta: BFE
- Hartoyo, Iin Hastuti. 2008. Analysis of the Factors Affecting the Dividend Payout Ratio of Manufacturing companies on the IDX 2005-2007. Thesis. Master of Science Program in Accounting, Diponegoro University, Semarang is not published.
- Jogiyanto, H.M. 2010. Business Research Methodology: misconceptions and experiences. First Edition. Yogyakarta: BPFE.
- Journal of accounting research. vol 4, no 1 February 2008 pages 32-47.
- Keown et al. 2005. Financial Management (principles and applications). West Jakarta: Gramedia group index PT.
- Kusumadilaga, Rimba. 2010. The Effect of Corporate Social Responsibility on Company Value with Profitability as a Moderating Variable, Thesis, Faculty of Economics, Diponegoro Semarang.
- Light, grandson. 2006. Relationship between dividend policy and firm value at PT.Telkom, Bandung.(online),(http://elib.unikom.ac.id/gdl.php?mod=browse&op=read&id=jbptunikompp-gdl-s1-2006 -cucucahyat-3327).
- Murtini, Ummi. 2008. Effect of Financial Management on Firm Value.
- Napa J, Awat. 1999. Financial Management: Systematic Approach. Jakarta : PT Gramedia Pustaka Utama.
- Nata Wirawan. 2002. easy way to understand Statistics 2 (Inferential Statistics). Second edition. Denpasar: Keraras Emas.



- Norma. 2006. Effect of Dividend Policy on Stock Prices of Automotive Companies on the Jakarta Stock Exchange. Mandiri Vol.9 No.1 July-September. p.s. 17-24
- Nova H., Rotua. 2010. Analysis of the Influence of Cash Flow Performance, Profitability and Dividend Policy on Firm Value in Banking Companies Listed on the Indonesian Stock Exchange. University of North Sumatra, Faculty of Accounting Economics. (Online), (<http://repository.usu.ac.id/handle/123456789/20416>).
- Nugroho, Setya. 2004. Analysis of Factors Affecting Dividend Policy in Companies Listed on the Jakarta Stock Exchange, Thesis, Master of Management Program at Diponegoro University, Semarang, not published.
- Nurlela and Islahuddin. 2008. The Effect of Corporate Social Responsibility on Company Value with the Percentage of Management Ownership as a Moderating Variable. National Symposium on Accounting XI
- Pinuji, Poncho Satriyo. 2009. Effect of Financial Ratios on Stock Prices in Manufacturing Companies on the Indonesia Stock Exchange (IDX) Period 2005-2007. Thesis. Faculty of Economics, Muhammadiyah University of Surakarta.
- Prayitno, Anggia. 2008. The Effect of Profitability, Solvability, and Liquidity on Stock Prices in the Property Sector on the Jakarta Stock Exchange 2001-2006, Thesis, Widyatama University.
- Raharjo, Susilo. 2005. Analysis of the Influence of Financial Performance on Stock Returns in LQ-45 Companies on the Indonesian Stock Exchange, Thesis, Faculty of Economics, Indonesian Islamic University.
- Riyanto, Bambang. 2001. Fundamentals of corporate spending. Yogyakarta: BPFE.
- Rob Bauer et al. 2003. Empirical Evidence on Corporate Governance in Europe. The Effect on Stock Returns, Firm Value and Performance. (on line) . (<http://ssrn.com/abstract=444543>).
- Rosyadi, 2006. The Effect of Financial Performance on Stock Prices on the Jakarta Stock Exchange. Fordema Volume 6 Number 1, June 2006: 73-89.
- Sawir, Agnes. 2005. Financial Performance Analysis and Corporate Financial Planning. Jakarta : PT. Main Library Gramedia.
- Saxena, A.K. 1999. Determinant of Dividend Policy: Regulated Versus Unregulated Firms. The Journal of Finance.
- Sembiring, Daniel Selahe. 2010. Effect of Changes in Capital Structure and Dividend Pay Out Ratio on Changes in Stock Prices at Lemba Udayana University Master of Management Program. 2010. Guidelines for Writing Research and Thesis Proposals.