

Determine Company's Value Moderate by Dividend Policy: Indonesian Stock Exchange Issuers LQ45 2017-2020 Period

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Abstract. Company value is one thing that must always be considered and managed properly. Because in practice, data or information on the issuer company's market value will be used by several parties (stakeholders) in making decisions. This research aimed to determine profitability and company's growth that moderated by dividend policy variable. Population in this research that were all issuers included in the LQ45 index for the 2017-2020 period and samples were taken using purposive sampling method and 19 issuers were obtained. The technique for data analysis used Moderated Regression Analysis. This research showed the result that profitability, company growth, and dividend policy have a positive effect on company's value. In addition, the dividend policy is able to moderate the effect of profitability on company value, but is not able to moderate the effect of company growth of LQ45 issuers listed on the Indonesian Stock Exchange for the 2017-2020 period.

Keywords: Firm Value, Profitability, Company Growth, Dividend Policy.

1 Introduction

Company's value measurement is one important thing that must be considered and managed properly. Because, in practice data or information on the market value of this company will be used by several parties, namely stakeholders in making decisions. Investors are one of the stakeholders who need information about the value of the company to make decisions in buying or selling shares.

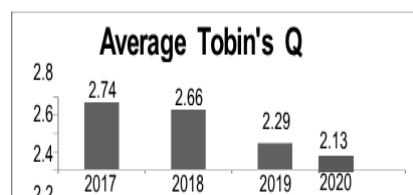


Fig. 1. Average Tobin's Q Value of Companies Listed in LQ45 2017-2020.
Source: Financial Report (www.idx.co.id) Data Processed 2021 [11]

The data, shows that company's market value in the LQ45 index of the Indonesia Stock Exchange in 2017-2020. This shows that the market value of LQ45 Issuer companies generally has a value of more than double the book value of its assets (investment value). The average value of LQ45 issuers shows that for every Rp100 of the book value of assets or investment value, the market value is Rp274 in 2017, Rp266 in 2018, Rp229 in 2019, and Rp213 in 2020.

According to literature review, factors that can affect company's value are company size, company growth, profitability, capital structure, and dividend policy [1]. The first variable that is thought to affect company's value is profitability. Profitability is how much a company able to make a profit [2]. To attract investors to invest, the company needs to have a high company's value which in this research is proxied by ROE. According to other research, the result shows that profitability is able to increase the company's value or provide a significant positive effect [3]. Another research result also state that profitability has an affect on company's value [2], but in other research actually found different result in their research where the results showed the opposite, namely profitability was not able to affect the company's value at all [4] [5].

The next variable is company growth which is variable also possible to affect company's value. Company growth is the change in the ups and downs of ownership of the overall assets in a company [6].

Furthermore, the variable that is thought to affect company value in addition to profitability and company growth is dividend policy which is positioned as a moderating variable. The reason dividend policy is used as a variable that is able to moderate the relationship between variables X and Y is because when there is a dividend that distributed to investors, investor confidence in the uncertainty of the investment made will be higher as well.

2 Literature Review

a. The Value of The Company

Based on Stated from the experts, company value is a description of the performance of a company that can be seen through the stock price that comes from the demand or supply of public in the market [6].

b. Profitability

The experts from a finance book stated that profitability is the result obtained by the company based on its ability to operate the company and obtain the final result in the form of profits within a certain period [6].

c. Company Growth

The experts from a finance book stated that company growth is the change in the ups and downs of ownership of the overall assets in a company [6].

d. Dividend Policy

Researcher states that dividend policy is a decision made by the company regarding the distribution of profits [7]. This distribution can be divided into 2 decision, this profit may be distributed to shareholder here ini after referred as dividends, or it can also be kept by the company as retained earnings which are then used as investment.

e. Hypothesis

H1: Positive influence was found ini the relationship between profitability and company value.

H2: Positive influence was found ini the relationship between company growth and company value.

H3: Positive influence was found ini the relationship between dividend policy and company value.

H4 : The relationship between profitability and company growth can be moderated by the dividend policy variable.

3 Methodology and Data Analysis

a. Data

This research used 45 companies that are included in the LQ45 index of IDX during the 2017-2020 period as population. The samples that will be used in this study are 19 companies that were taken using a purposive sampling technique.

b. Operational Variable Definition

1) Dependent Variable (Y)

This research used the company value as dependent variable. The formula used to calculate company value in this research is [8]:

$$Tobin's\ Q = \frac{MVS+DEBT}{TA} \quad (1)$$

2) Independent Variable (X)

a) Profitability (X1)

Formula used to measure profitability in this research is [9]:

$$ROE = \frac{NET\ INCOME\ AFTER\ TAX}{EKUITAS\ PEMEGANG\ SAHAM} \quad (2)$$

b) Company Growth (X2)

The formula used to calculate company growth in this research is [9]:

$$COMPANY\ GROWTH = \frac{TOTAL\ ASSET_t - TOTAL\ ASSET_{t-1}}{TOTAL\ ASSET_{t-1}} \quad (3)$$

3) Moderating Variable (Z)

This study uses the Dividend Payout Ratio which is used to measure dividend policy, with the following formula [9]:

$$DPR = \frac{DEVIDEN\ PER\ SHARE}{EARNING\ PER\ SHARE} \quad (4)$$

c. Data analysis technique

The Moderate Regression Analysis used in this research is intended to form a research model based on available data namely dividend policy which moderates the relationship between x and y variables. The model used in this research is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e \quad (5)$$

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + e \quad (6)$$

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 (X_1 * M) + \beta_4 (X_2 * M) + e \quad (7)$$

4 Research Result and Discussion

a. Descriptive statistics

Based on the output from SPSS as results, we can explain that descriptive statistics for the Tobin's Q variable have a minimum value of 1.00, this indicates that the company has the same value between the recorded book value and its market value. Furthermore, the maximum value for Tobin's Q obtained a value of 20.71, this indicates that the company has a very good performance which is reflected in the market value which is higher than its book value. This Tobin's Q average value show of 2.6974, which indicates that LQ45 company has a good performance which is reflected in its market value which is higher than its book value.

Based on the output SPSS as results, we can explain that descriptive statistics for the ROE variable have a minimum value of 2.09, this indicates that the company has a net profit that is greater than its equity, meaning that the company is able to use the available capital effectively and efficiently to make a profit. Furthermore, the maximum value for ROE is 139.97, indicating that the company has a net profit that is much larger than its equity, this means that the capital owned by company can now be managed for the company's operations in the most

effective and efficient way possible, so as to generate maximum profit. The average of this variable is around 20.0294, this proves that on average this LQ45 company has a net profit that is greater than its equity.

Based on the output SPSS as results, we can explain that the descriptive statistics for the Growth variable have a minimum value of 0.09, this indicates that the until now the company is able to compete and maintain itself in the industry through increased sales or increased assets is still less than optimal. Furthermore, the maximum value for Growth is 59.35, indicating that the company is able to maintain its position in the industry either through increased sales or increased assets. The average of this variable is around 12.5206, this proves that on the LQ45 company is able to maintain its position in the industry either through increased sales or increased assets.

Based on the output SPSS as results, we can explain that the descriptive statistics for the DPR variable have a minimum value of 4.93, this indicates that the company chooses to store more of its profits as retained earnings rather than distributing it as dividends to shareholders. Furthermore, the maximum value for the DPR is 176.85, this means that company will prefer the allocation of profits in the form of dividends rather than profit that must be allocated or stored as retained earnings. The average of this variable has around 49.5864, this proves that in LQ45 company has a dividend payment composition that is almost equivalent to retained earnings, this is because in addition to the company's desire to fulfill the company's goals, namely the welfare of the company owners.

b. Classic assumption test

Based on the output SPSS as results of the classic assumption test, it was found that the data in this study has fulfilled all classical assumption tests, so that it was feasible to do regression.

c. Model test

1) Test of F statistic

Based on the output SPSS as test results for calculating F statistic, the F value is 79,922 and for value of significance is 0.000 less than 0.05 (α). So that can be confirmed that joint effect occur between variables of profitability, company growth, and dividend policy which has an influence on company value.

2) Coefficient of Determination Test (R2)

Based on the output SPSS as results of the coefficient of R Square test, the value of the R Square is 0.755 or 75.5%. This proves that 75.5% of company value can be explained by the independent variables namely profitability, company growth and dividend policy. As for the remaining, which is 24.5% of company value is explained by another factors outside of this research variable.

d. Testing of hypothesis

1) t statistical results

Table 1. t statistical results

Model		Unstandardized Coefficients		Coefficients ^a	t	Sig.	Collinearity Statistics	
		B	Std. Error	Standardized Coefficients Beta			Tolerance	VIF
1	(Constant)	.287	.291		.988	.326		
	ROE	.138	.007	.902	19.148	.000	.996	1.004
	GROWTH	-.030	.014	-.100	-2.124	.037	.996	1.004

a. Dependent Variable: TOBIN'S Q

Source: SPSS 25 output

Based on output SPSS as the results of the t statistic test in Table, the following equation can be obtained:

$$\text{Firm Value} = 0.287 + 0.138 \text{ ROE} - 0.030 \text{ GROWTH}$$

The interpretation of the results of these equations is as follows:

H1: Positive influence was found in the relationship between profitability and company value. Based on the output SPSS as results, shows that the x1 variable, namely profitability, has a coefficient value of -0.030 with a significance value less than 0.05 which indicates that there is a positive and significant influence or there is a unidirectional relationship between profitability and firm value. The coefficient that ranges from 0.138 means that when the company increases its ROE performance by 1 rupiah, the value of the company will also increase by 0.138 rupiah. This indicates that when the company has a high ROE number, the company is successful in managing or using its capital for company operations in the most effective and efficient way possible with the aim of further maximizing profits. The results of this study are supported by other research which shows the results that profitability has a positive influence on firm value [3]. Other researchers also obtained the same results as in the research which found that an increase in profitability will also affect the increase in firm value [2].

H2: Positive influence was found in the relationship between company growth and company value. Based on the output SPSS as results, shows that the X2 variable which in this study is company growth has a coefficient value of 0.138 with a significance value less than 0.05. This means that the growth of the company has a unidirectional relationship or has a positive and significant influence on the value of the company. The more a company grows, it indicates that the company is also able to compete and survive with its position in the industry either by increasing sales or assets. This makes investors indicated or interested in giving their funds to the company. The results of this study are also supported by several studies that have similar results, which the results that the more the company grows, the higher the value of the company it has [10] [12].

2) T-Test Results with Moderating Variables

Table 2. Results of t-test with Moderating Variables

Model		Unstandardized Coefficients		Coefficients ^a		Sig.	Collinearity Statistics	
		B	Std. Error	Standardized Coefficients Beta	T		Tolerance	VIF
1	(Constant)	-.157	.213		-.740	.462		
	ROE	.316	.026	.758	12.032	.000	.803	1.246
	GROWTH	-.050	.031	-.104	-1.599	.114	.749	1.335
	DPR	.072	.024	.208	2.947	.004	.640	1.562

a. Dependent Variable: TOBIN'S Q

Source: SPSS 25 . output

Based on the output SPSS as results of the t-test in Table 2, the following equation can be obtained:

$$\text{Firm Value} = -0.157 + 0.316 \text{ ROE} - 0.050 \text{ GROWTH} + 0.072 \text{ DPR}$$

The interpretation of the results of these equations is as follows:

H3 : Positive influence was found in the relationship between dividend policy and company value. Based on the output SPSS as results of the Table 2 above is the result of the t-statistical test on the moderating variable, namely dividend policy. In the table it can be seen that the acquisition of the coefficient value is around 0.072 with a smaller significance of 0.05 which means that the dividend policy has a positive and significant effect on the value of the

company. The coefficient value of 0.072 can be explained that when the DPR increases by 1 rupiah it will increase the value of the company by 0.072. When dividend payments in return obtained by shareholders are distributed in increasingly large amounts, investors will be more interested in funding the company. The results of this study are supported by previous researchers, which in his research found that dividend policy will have a positive influence on firm value [5].

3) Moderate Regression Analysis Test Results

Table 3. Moderate Regression Analysis Test Results

Model		Unstandardized Coefficients		Coefficients ^a	t	Sig.	Collinearity Statistics	
		B	Std. Error	Standardized Coefficients Beta			Tolerance	VIF
1	(Constant)	-1.175	.581		-2.022	.047		
	ROE	.173	.032	.587	5.344	.000	.078	12.877
	GROWTH	.007	.022	-.044	.330	.742	.548	1.826
	DPR	.026	.008	.313	3.231	.002	.807	1.239
	ROE*DPR	.001	.000	.861	4.737	.000	.068	1.696
	GROWTH*DPR	.002	.001	.203	1.500	.138	.598	1.671

a. Dependent Variable: TOBIN'S Q

Source: SPSS 25 . output

Based on the output SPSS as results of the Moderate regression analysis in Table 3, the following equation can be obtained:

$$\text{Firm Value} = -1.175 + 0.173 \text{ ROE} + 0.007 \text{ GROWTH} + 0.026 \text{ DPR} + 0.001 \text{ ROE} * \text{DPR} + 0.002 \text{ GROWTH} * \text{DPR}$$

The interpretation of the results of these equations is:

H4 : The relationship between profitability and company growth can be moderated by the dividend policy variable. Based on the output SPSS as results obtained Table 3, the ROE*DPR variable obtained a coefficient of 0.001 with a significance value less than 0.05. This shows that the dividend policy has succeeded in acting as a moderator in the relationship between profitability and firm value, meaning that when the company succeeds in increasing its profitability, which is offset by the implementation of a dividend policy, investors are interested in funding the company, of course, with the aim of obtaining larger dividends. However, the GROWTH*DPR variable has a coefficient value of 0.002 with a greater significance value of 0.05 which means that the dividend policy variable in moderating the relationship between firm growth and firm value is not successful. Thus, hypothesis 4 which states that dividend policy moderates the relationship between profitability and firm growth on firm value is rejected because dividend policy can only moderate the effect of profitability on firm value.

5 Implication and Suggestion for Future Research

Referring to the description of the results in the previous discussion, the conclusions that can be drawn are as following:

1. Positive influence was found in the relationship between profitability and company value. This indicates that when the company has a high ROE number, the company is successful in managing or using its capital for company operations in the most effective and efficient way possible with the aim of further maximizing profits.
2. Positive influence was found in the relationship between company growth and company value. This shows the more a company grows, it indicates that the company is also able to compete and survive with its position in the industry either by increasing sales or assets. This makes investors indicated or interested in giving their funds to the company.

3. Positive influence was found in the relationship between dividend policy and company value. This shows when dividend payments in return obtained by shareholders are distributed in increasingly large amounts, investors will be more interested in funding the company.
4. Profitability has a positive effect on firm value, and dividend policy is able to strengthen the relationship between profitability and firm value. This shows that investors will think that the higher the profitability obtained by the company, the chances of getting dividends will also be higher considering that the company's main goal is to prosper the owner of the company.

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