Review of Financial and Policy Performance Dividend to Company Value

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Abstract

The consumer goods industry is one of the sectors that can lift the country's economic growth and can survive under any conditions so that it has the best performance opportunities than other sectors. The consumer goods industry has been able to contribute 58% to the country, even though the consumer goods sector index has only decreased by 5.5% in the last 10 years. This research was conducted to determine the effect of financial performance in the form of profitability, leverage, liquidity, and dividend policy on firm value, the theory used is signaling theory. The population uses consumer goods industry sector companies for the 2017-2021 period as many as 76 companies and the sample obtained is 14 companies using a purposive sampling technique. Analysis in this study used SPSS software, data analysis used descriptive statistics, and classic assumption tests included normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. For the hypothesis using, t-test, and the coefficient of determination (R^2) using multiple linear regression analysis. The results of this study indicate that profitability and dividend policy have a significant positive effect on firm value, while leverage and liquidity have no significant effect on firm value.

Keywords: company value, profitability, leverage, liquidity, dividend policy

Introduction

Quoting from Investasi.kontan.co.id Consumer Goods Industry is one of the sectors that can lift the country's economic growth and can survive under any conditions so that it has the best performance opportunities than other sectors(Hassan et al., 2022). The consumer goods industry has been able to contribute 58% to the country, even though the consumer goods sector index has only decreased by 5.5% in the last 10 years.(Golmohammadi et al., 2023)

Information in 2019 stated that the consumer goods sector stock index experienced a significant decline, corrected to 20.11%. Sukarno Alatas, an analyst at Oso Securities, stated that the pressure arose, among others, from PT HM Sampoerna (HMSP) declining by 42.59%. The decline in the JCI in the consumer goods industry sector companies makes their company

values decrease so that these companies are less attractive to investors as a place to invest, therefore to maintain investor confidence companies need to pay attention to a company's value in the eyes of investors (Banani et al . , 2021). High firm value is a description of a company's success and is related to high stock prices (Putri & Wiksuana, 2021). Good company value will give potential investors confidence which is seen in the company's current performance and also in the future business conditions (Jihadi et al ., 2021). However, a company does not consistently have good company value, some things influence company value to increase or decrease, including financial performance and dividend policy.(Fogaat & Sharma, 2022)

By analyzing the financial statements of a company, investors will get information regarding the company's financial performance, if the financial performance is good it indicates that the company can maximize the effective use of existing finances so that it attracts investors and will have an impact on increasing the value of the company (Marasabessy et al., 2019). The financial performance used in this analysis includes profitability, leverage, and liquidity. The high or low value of the company is indicated by the high or low profitability created by the company. Because, the higher the profit then the higher the value of the company, and will invite investors to be interested in investing in the company (Novera, 2020). Leverage is considered to affect the value of a company because this ratio is a measure of how much a company carries out its operational activities financed by debt (Ismi & Heykal, 2020). The leverage ratio is also used to assess the ratio of capital provided by the owner to the capital borrowed from creditors (Nyale, 2020).

Companies with good liquidity values indicate that companies have a high chance of developing because they can afford short-term debt on time (Saputri & Giovanni, 2021). The amount of liquid in a company makes investors interested in and believe in the industry increasing in company value (Novia, 2021). Furthermore, dividend policy is a factor that affects company value because, in companies with good prospects and good dividend distribution, prospective shareholders will be interested in investing in the company, and this results in increased company value (Banani et al ., 2021). Hasanudin's research (2020) reveals that liquidity has a positive effect on firm value. The purpose of this study is to be able to inform about the influence of the variables Profitability, Leverage, Liquidity, and Dividend Policy on Company Value in the consumer goods sector on the IDX (Indonesian Stock Exchange) in 2017 - 2021.

Literature Review

The high profit of the company invites a positive signal for investors because they will view the company as profitable and able to provide welfare to shareholders, this profitability shows the strength of the company in creating profits or it can be said to be a measure of management effectiveness company management (Ismi & Heykal, 2020). Companies that have profitability that continues to increase every year will attract investors so that the demand for shares of the company increases, which will have a direct impact on increasing share prices and will automatically increase a company's value (Putri & Wiksuana, 2021). In line with the

analysis conducted by (Banani et al ., 2021) and (Saputri & Giovanni, 2021) that profitability has a positive impact on company value.

Large debt will be a negative signal for investors but if the company's debt is small it will be a positive signal for investors, whereas the greater the leverage, the greater the investment risk (Nyale, 2020). Companies that have a fairly high leverage ratio illustrate that the company is not solvable, which indicates the total debt is greater than the total assets it will give rise to bad perceptions and negative signals for investors which will reduce investor interest in the company and demand on the stock market will also decrease then the share price will decrease and result in the company's value also decreasing(Kiremu et al., 2022). Along with the research of Sylvia et al. (2021) that leverage harms company value.

Liquidity can be a measure of a company's ability to pay its current debts, the high liquidity of a company makes investors increasingly trust the company because they believe the company will be able to pay its debts on time (Renly, 2019). Based on the studies conducted, it is concluded that liquidity has a significant contribution to the high and low value of the industry and the market will respond if the company has stable liquidity and tends to increase . A high liquidity ratio indicates maximum company performance in allocating current assets that the company has and has an impact on company value (Ismi & Heykal, 2020). In line with the analysis of Sylvia et al. (2021) with Rachmad et al. (2021) that Liquidity has a positive effect on company value.(Meyer et al., 2022)(Wale Oshinowo et al., 2022)

The high nominal dividend distributed to shareholders will create an increased corporate image because the company can distribute dividends every year as invested funds investors are well managed and able to prosper investors (Adiputra & Hermawan, 2020). Good dividend policy management will have a positive impact on company value, therefore to increase company value the company must maximize existing dividends (Ismi & Heykal, 2020). In line with the research by Banani et al. (2021) and Rachmad et al. (2021) that dividend policy has a positive impact on company value.

Research Method

The analysis design uses quantitative in the context of causality analysis and the data used is data secondary obtained from IDX web (www. id x. co. id) and Sahamok web (www. Sahamok .net). The inner bound variable of this analysis is company value (Y), measured by PBV, which shows the percentage of sales that will be distributed to investors as cash dividends (Rumpoko, 2018) The independent variable uses four variables namely Profitability (X1) with the proxy Return On Assets (ROA) which informs how is the effectiveness of performance in managing the company to get profits (Novari & Lestari, 2020). The second independent variable, namely Leverage with the proxy DER (X2), is measured by dividing total debt by capital himself (Wisnu & Aurelia, 2021). The third independent variable is liquidity (X3) with the proxy current ratio (CR) which is measured using the division of current assets and current liabilities (Andreas & Surbakti, 2021). Furthermore, the Dividend Policy variable (X4) is

assessed from the DPR ratio, showing the percentage of income that will be distributed to investors as cash dividends (Andreas et al., 2021).

The population in this analysis is the consumer goods sector companies listed on the IDX for the 2017-2021 period, a total of 76 companies. The sampling technique used is purposive sampling and uses the following criteria: consumer goods sector companies that have registered for an IPO during the analysis period, consumer goods sector companies that have positive profits and distribute dividends during the data analysis period used in this analysis are secondary in the form of financial reports obtained from the official IDX website and obtained a sample of 70 samples from 14 companies multiplied by the 5 years. Furthermore, the data analysis technique used in this analysis is descriptive statistics. Before carrying out the analysis, it is necessary to determine whether the data in this analysis is normal or not by using descriptive statistics, the classic assumption test includes the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test(Bohorquez et al., 2022). For the hypothesis using, t-test, and the coefficient of determination (R^2) using multiple linear regression analysis. The multiple regression model in this analysis is expressed as follows:

PBV= α + β1 ROA + β2 DER + β3CR + β4 DPR + e

Description: Y = Company Value; α = Constant; β = Regression coefficient; ROA = Return On Assets ; DER = Debt To

Equity Ratio; CR = Current Ratio; and DPR = Dividend Payout Ratio

Result and Discussion

This study uses outliers to remove extreme numbers and transforms the data so that the sample used is fifty-six. First, the normality test to see if the data is normally distributed was carried out using the Kolmogorov-Smirnov one-sample method. It is said to be normal if the sig value > 0.05 and if < 0.05; then the data is not normally distributed. Based on the results of the normality test on the data that has been done outliers and data transformation it is said that the regression model is normally distributed, it can be seen from the sig value of 0.054 > 0.05 so it can be concluded that the data is normally distributed so that data processing can be continued.(Fadeyi et al., 2022)

Furthermore, in the Multicollinearity Test, the analysis is said to be good if there are no multicollinearity problems. Data it can be said that there is no multicollinearity constraint if the tolerance value is > 0.100 and VIF < 10.00. that is obtained from the test results, the VIF value of all variables is <10.00 and the tolerance value of all variables is > 0.100, so it can be concluded that all variables have met these requirements and there is no multicollinearity in the regression model equation. Heteroscedasticity test to check for differences between one residue and other observations(Tang et al., 2022). This analysis uses the Park test, the data is declared free from heteroscedasticity if the number of sig> 0.05. In this analysis the sig value of ROA is 0.108 > 0.05, then the sig DER value is 0.217 > 0.05, then the sig CR value is 0.399 > 0.05 and the DPR is 0.720 > 0.05 thus it can be concluded that there is no symptom of heteroscedasticity in the regression model. Finally, the autocorrelation test is to check whether

there is a user error (correlation) between the t period and the previous period (t -1). This uses the Durbin-Watson test with the condition that the Durbin-Watson value is dU<DW<(4-dU). obtained a DW value of 1,846 based on the Durbin-Watson table n = 70 and k = 4 where the dL value = 1,494 and the dU value = 1,735, then 1,735 < 1,846 < 2,265 is obtained which meets the requirements so that it can be concluded that in this analysis there is no autocorrelation problem.

Multiple linear regression analysis functions to test the influence of two or more independent variables. The results of data processing carried out then obtained the equation function of multiple linear regression analysis, namely PBV = 0.480 + 1.959 ROA + 0.022 DER + 0.001 CR + 0.131 DPR + e

The function of the regression equation reveals that:

a. The constant value is 0.480, which states that if the proxies for profitability by ROA, DER, CR, and DPR are constant or do not change (value is 0), the consistent value of the PBV variable is 0.480.
b. The value of the profitability regression coefficient by proxy for ROA has a positive value of 1,959, which means when it increases ROA is '1 unit', so PBV has increased by 1,959 and vice versa, this is in line with the theory that profitability, which is measured using ROA proxies, has a positive impact on firm value.(Sutarmin & Andesto, 2022)
c. The value of the leverage regression coefficient proxied by DER has a value of 0.022, which indicates that when leverage increases by '1 unit', PBV increases by 0.022 and vice versa, these results are not in line with the theory which says that leverage has the opposite or negative impact on firm value, but after processing the data it results that leverage leads to a positive direction on firm value.(Xu, 2022)
d. The value of the liquidity regression coefficient proxied by CR has a positive value of 0.001, which means that at the time increase in the liquidity of '1 unit', then PBV has increased, namely 0.001 and vice versa, this is in line with the theory of liquidity which has a positive impact on firm value e. The DPR coefficient value has a positive value of 0.131 meaning that when the dividend policy increases by '1 unit', PBV will increase by 0.131 and vice versa, this is in line with the theory that dividend policy has a positive impact on the company value.(Walker et al., 2022)

Based on the results of statistical testing t produces Profitability (ROA) produces a t-count of 4.543 > 1.9904 then a sig value of 0.00 <0.05, it is concluded that profitability (ROA) has a significant influence on company value. The Leverage variable has a t-count of 0.269 <1.9904 and a sig value of 0.789 > 0.05. It can be concluded that the effect of leverage does not affect firm value. The liquidity variable has a t-count of 0.094 < 1.9904 and sig 0.926 > 0.05, in summary, the investment opportunity set does not affect the value of the company. Finally, the dividend policy variable with t-count is 2.322 > 1.9904 and a sig value of 0.024 <0.05, it is concluded that dividend policy has a positive impact on firm value. Furthermore, the results of the coefficient of determination show an adjusted R-squared value of 39.3%. This illustrates that business value with the dimension of book value (PBV) is influenced by the

variables of profitability, leverage, liquidity, and dividend policy, and has a balance of 60.7% which can be influenced by other variables.(Wahyuandari et al., 2022)

Effect of Profitability on Firm Value

The results of partial testing of the effect of profitability on firm value with a t-value of 4,543, and a significance value of 0.000 <0.05 indicates that profitability has a positive impact on the firm value or H1 is acceptable. The results of this analysis are in line with the signaling theory which supports the result that high profitability leads to the company's prospects. This is because profitability describes the condition of a company to investors as a form of corporate responsibility (Merello et al., 2022). Good and high profitability is a positive sign for all parties involved in the company, including shareholders and potential investors, if the company can maximize its assets and generate profits. This analysis resulted from 56 company data in the consumer goods sector after being outliers, it was found that high profitability would result in high company value due to the decision-making of investors investing. that the higher the profitability, the higher the value of the company. These results confirm the findings of Saputri & Giovanni (2021) and Sylvia et al. (2021) with profitability results will have a significant positive effect on value companies. Meanwhile, the opposite results are shown in the analysis from Teguh, (2021) which concludes that profitability does not affect firm value.(Deng & Zhao, 2022)

Effect of leverage on firm value

The results of partial testing of leverage on firm value with a total t-count of 0.269 and a sig of 0.789 > 0.05 therefore H2 is rejected. This states that the leverage measured by DER does not have a significant impact on company value. In theory, leverage is the ability to pay how much the company can pay, about firm value, that is, large debt creates a negative signal for investors and will reduce investor interest and demand in the stock market will also decrease, then share prices will decrease and company value will also decrease (Meilinita Napitupulu et al., 2022). However, the results of this analysis are not in line with the theory of leverage and the grand theory in this analysis, namely the signal theory where companies listed in the consumer goods sector have entered the maturity stage and have profit reserves so that companies are more likely to increase assets with equity (internal funding) originating from of retained earnings and equity rather than debt. If the company has sufficient own funds to finance its self-financed assets, the company reduces its debt ratio. Excessive use of leverage reduces the benefits of using leverage. because the profits are not proportional to the costs incurred, a small debt can increase the value of the company and vice versa. This is in line with the research of Jiarni & Utomo (2019) and Novari & Lestari, (2020) which say that leverage does not affect firm value.(Parasetya et al., 2022)

The Effect of Liquidity on Firm Value

This analysis concludes that liquidity has no effect on company value (price book value) from the total t-count of 0.094 and a significance value of 0.926 > 0.05 concluding that H3 is rejected. This analysis results in the conclusion that liquidity does not affect company value. In theory, a high liquidity ratio reflects the company's maximum performance in using the company's current assets and affects the company's value which is reflected in a high liquidity

ratio. revealed that prospective investors do not look at the liquidity factor represented by the company's liquidity ratio when investing. The company's liquidity does not hinder its value growth, because it only reflects the company's efforts to fulfill its short-term obligations. Investors rarely pay attention to the liquidity ratio because they pay more attention to the company's internal health in fulfilling its short-term obligations. Moreover, investors do not care what the current ratio is. Investors are attracted to the company's efforts to generate profits. As we all know, the value of a company is not based on its ability to pay its debts, but on its ability to manage its assets, stock, and sales in a way that generates profits that reflect the value of the company. This condition causes the current ratio not to have a significant impact on the value of the company. In line with the research of Komala et al. (2021) and Sadewo et al. (2022) which says that liquidity has no impact on company value.

The Influence of Dividend Policy on Company Value

This analysis concludes that the dividend payout ratio has a positive effect on company value (price book value) with a t-count value of 2.322 and a significance value of 0.024 <0.05 can be interpreted high or low dividend policy ratio is something that can be considered by potential investors to invest. Companies that pay high dividends to their investors will result in company value because investors will invest their funds in companies that consistently share their profits as dividends. Therefore the researchers stated that dividend policy has a significant positive effect on the firm value or H 4 is acceptable. Signaling theory reveals that dividend distribution is used to signal the future of the company. If the company has good conditions in the future, the company will increase the dividends paid and vice versa if the prospects decrease, the company will reduce dividend payments. the higher the dividends paid to investors, the greater the attention that must be paid to the company's performance, and ultimately the successful company is considered profitable of course the better the company's valuation, this is reflected in the level of the company's stock price. Supported by signal theory, dividend payments contain information/conditions about the company's prospects (Saputri & Giovanni, 2021). The results of this analysis are that from 56 company data in the consumer goods industry sector after being an outlier, it is found that the greater the dividend distribution, the more investors think the company has good company performance and will result in higher company value. It can be concluded that dividend policy has a significant positive effect on company value. These results are also by the analysis of Rachmad et al. (2021) and Banani et al. (2021) which shows that dividend policy has a positive effect on firm value.

Conclusion

The results of this study reveal that 1) the higher the profitability, the higher the firm value because investors make investment decisions. that the higher the profitability, the higher the firm value; 2) the adequacy of funds owned by the company to finance its assets obtained from its capital makes the company reduce the proportion of its debt. The use of debt excess will reduce the benefits received from the use of debt because the benefits received are not proportional to the costs incurred so a low proportion of debt can increase the value of the company; 3) company value is not based on the company's ability to pay off its debts but the

company's ability to manage assets, own capital, and sales to generate profits which reflects the company's value as measured by its share price. This condition causes the current ratio to not affect firm value; 4) companies with large dividend payments to their shareholders can increase the value of the company because investors will invest their funds in a company that distributes profits in the form of dividends consistently. so it can be said that the dividend policy has a significant positive effect on firm value.

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