THE EFFECT OF MICROECONOMIC FACTORS FIRM VALUE WITH DIVIDEND POLICY AS INTERVENING VARIABLE IN LQ45 COMPANIES

Rio Aditya[1], Aty Herawati[1*]
[1*]Universitas Trilogi, atyherawati@trilogi.ac.id

Abstract

The purpose of this study was to determine the effect of microeconomic variables, namely Return On Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Asset Growth (GA) on Dividend Policy (DPR) and its influence directly or indirectly through dividend policy (DPR) intervening variable on Firm Value (TQ). The data used is financial report data for 36 companies listed in the 2020 LQ45 as a sample. Data analysis was performed using path analysis. The results of the study show that ROA has an effect on Dividend Policy (DPR) while CR, DER and GA have no effect on Dividend Policy (DPR). CR and DPR affect firm value (TQ) directly, while ROA influences both directly and indirectly through Dividend Policy (DPR), which means that Dividend Policy (DPR) is a variable that mediates the effect of ROA on firm value (TQ). Meanwhile, DER and GA have no effect on firm value (TQ).

Keywords: Return On Assets; Current Ratio; Debt to Equity Ratio; Asset Growth; Dividend Policy; Firm Value

1. Introduction

Firm value is very important because it reflects the company's performance which can affect investors' perceptions of the company. Corporate value can be the basis for decision making, both short term and long term. Corporate value is not only attractive to stakeholders, but also determines the sustainability of the company in the future. Many microeconomic factors affect the value of the company. Perwira & Wiksuana (2018), Putri (2016), and Setyawan (2019) state that ROA has a positive effect on company value. Rahmasari (2019) and Setyawan (2019) found that CR has a positive effect on firm value. Rahmasari (2019) concluded that DER has no effect on company value. Perwira (2018) found that asset growth has a direct positive effect on company value.

Dividend policy is the company's ability to pay cash dividends is closely related to the company's ability to earn profits in a certain period. Silaban (2016), Ginting (2018), Ratnasari (2019) and Amanah (2020) state that ROA has a positive effect on dividend policy. Monika (2018), Ratnasari (2019), Rahmasari (2019), Setyawan (2019), and Amanah (2020) state that CR affects dividend policy. Wahyuni (2018) and Monika (2018) state that DER has a negative effect on dividend policy. Ratnasari (2019) concluded that DER has a positive effect on dividend policy. Perwira (2018) found that asset growth has a direct positive effect on dividend policy.

If the company's ability to earn high profits, it is predicted that the company's ability to pay dividends will also be high, thereby encouraging an increase in firm value. Perwira & Wiksuana (2018) state that dividend policy has a positive effect on company value. Meanwhile, Setyawan (2019) argues that dividend policy has a negative effect on firm value.

Based on this, this study aims to determine whether ROA has a positive effect on firm value, does CR have a positive effect on firm value, does DER have a negative effect on firm value, does asset growth have a positive effect on firm value, does ROA have a positive effect on policy dividends, whether CR has a positive effect on dividend policy, whether DER has a negative effect on dividend policy, whether asset growth has a positive effect on dividend policy and whether dividend policy has a positive effect on firm value.

2. Theoretical Framework
Asymmetric Information
Asymmetric Information is a condition where one party has more information than the other party. In this case, the management relatively has more information than the shareholders. The occurrence of information asymmetry makes it difficult for investors to analyze and assess objectively related to the value of a company. This information aspect is related to signaling theory, namely an action taken by company management will provide instructions for investors how they should assess the company's prospects.

Signaling Theory
Signaling Theory explains that the importance of information about the company that is informed by the company to investors or shareholders on investment decisions, which says that the value of the company is better than other companies. Where companies with good quality will inform positive signals to investors, so that investors can assess the merits of a company's performance. Because investors of course want optimal returns from their investment results.

Firm Value
Firm value proxied by Tobin's Q is a reference or basic information that indicates the company's ability to provide welfare to the company's shareholders so that investors who want to choose to invest in shares know the factors that influence company value and dividend policy.

$$\text{Tobin's Q} = \frac{\text{Total Market Value}}{\text{Total Assets}}$$

Dividend Policy
In this study the dividend policy is proxied by the Dividend Payout Ratio (DPR). Dividend Payout Ratio (DPR) is the ratio of the percentage of net profit distributed as dividends to shareholders. This ratio shows how big the portion of the dividend given by the company to shareholders.

$$\text{DPR} = \frac{\text{Total Dividends}}{\text{Net Income}} \text{ x } 100\%$$

Profitability
Profitability is the company's ability to generate profits or gains in a certain period. Profitability in this study is proxied by the ratio of Return on Assets (ROA). ROA is the ratio of the company's rate of return on the assets used for the company's operations. ROA shows the company's ability to utilize or manage existing total assets to obtain optimal profits. In general, the greater the assets managed, the greater the profit that can be generated.

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Liquidity
Liquidity is the company's ability to pay short-term obligations using current assets. Because the payment of a dividend depends on the capacity of the company's cash funds, liquidity can affect the payment of a company's dividends. In this study, liquidity is proxied by the Current Ratio (CR), where CR is the ratio that shows the company's ability to manage short-term liabilities with current assets.

$$\text{CR} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Leverage

Leverage or solvency is the company's ability to repay or repay short-term and long-term loans. Leverage also shows how much debt a company has. In this study, leverage is proxied by the Debt to Equity Ratio (DER), where DER is the ratio of a company's debt to equity, which shows the portion between debt and equity.

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Asset Growth

The Asset Growth Rate shows how quickly a company has been growing its Assets. It is calculated as a percentage change in Assets over a given period.

Asset growth is calculated by the difference between this year's asset value and last year's divided by last year's asset value. Asset growth shows an increase or decrease in the value of company assets which is useful for knowing how much assets the company manages.

$$GA = \frac{\text{Total Assets}_t - \text{Total Assets}_{t-1}}{\text{Total Assets}_{t-1}}$$
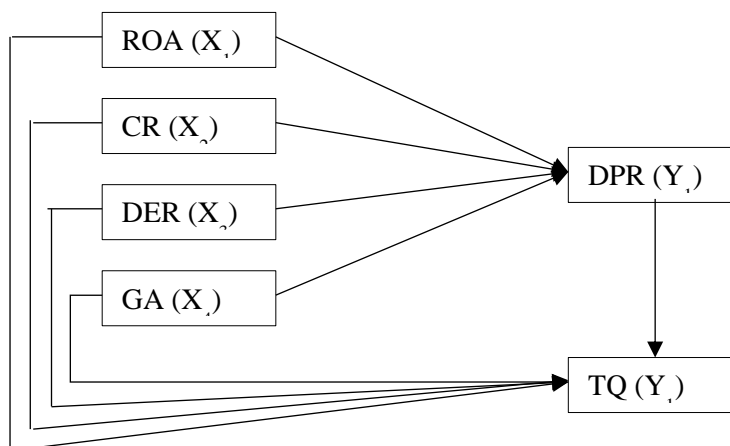
Research Model

Figure 1 Research Model

3. Research Methods

This research is an associative quantitative research. The variables used in this study are :

    a. Independent variables, namely the variables Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER) and Asset Growth (GA)

    b. Intervening variables, namely dividend policy (DPR) variables

    c. The dependent variable, namely Firm Value (TQ)

The population in this study are companies that are included in the LQ45 list in the August 2020 period. The sample selection in this study was carried out by purposive sampling. With the criteria for companies that have complete financial reports and distribute dividends in 2020, there are 36 companies.

The data analysis used in this study is path analysis, which is an analysis to model the influence of the independent variables on the dependent variables directly or indirectly through the intervening variables

Path Equation :

$$\text{Structure 1 } Y_1 = \rho_{11}X_1 + \rho_{12}X_2 + \rho_{13}X_3 + \rho_{14}X_4 + \varepsilon_1$$
$$\text{Structure 2 } Y_2 = \rho_{21}X_1 + \rho_{22}X_2 + \rho_{23}X_3 + \rho_{24}X_4 + \beta_{21}Y_1 + \varepsilon_2$$

4. Research Result
Structure 1: Effect of ROA, CR, DER and GA on the DPR
The results of calculations on the structural model 1 are as follows:

Table 1 Structure 1
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.457	.164		2.781	.009
	ROA	1.586	.809	.337	1.960	.059
	CR	-.004	.062	-.012	-.066	.948
	DER	-.025	.028	-.156	-.872	.390
	GA	-.334	.497	-.109	-.672	.507

a. Dependent Variable: DPR

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.423[a]	.179	.073	.3467340

a. Predictors: (Constant), GA, ROA, CR, DER
Source: Data processed

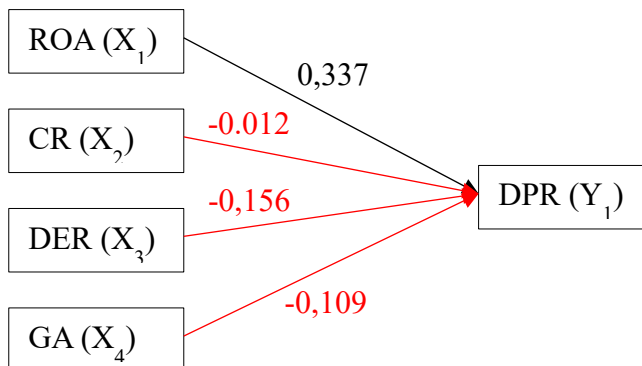Based on the results of these calculations, the model in structure 1 is as follows:

Figure 2 Structure 1

With the structural equation 1 DPR = 0.337 ROA + 0.906

Structure 2: Effect of ROA, CR, DER, GA and DPR on TQ

The results of calculations on the 2nd structure model are as follows:

Table 2 Structure 2

Coefficientsᵃ

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.449	.602		-.745	.462
	ROA	8.228	2.810	.404	2.928	.006
	CR	.483	.204	.315	2.362	.025
	DER	.003	.094	.005	.036	.972
	GA	2.564	1.640	.194	1.563	.128
	DPR	1.299	.588	.300	2.208	.035

a. Dependent Variable: TQ

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738ᵃ	.545	.469	1.1358577

a. Predictors: (Constant), DPR, GA, CR, DER, ROA

Sumber : Data diolah

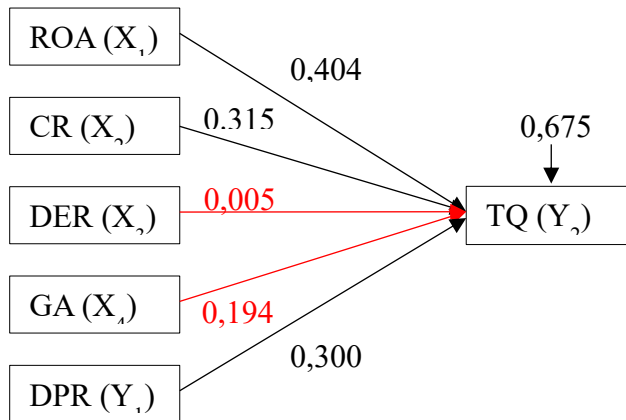Berdasarkan hasil perhitungan tersebut, maka model pada struktur 2 sebagai berikut :

Figure 2 Structure 2

With the structural equation 2 DPR = 0.404 ROA + 0.315 CR + 0.005 DER + 0.194 GA + 0.300 DPR + 0.675

Overall Structure Results Model

Based on the results of structures 1 and 2, the overall results are as follows:
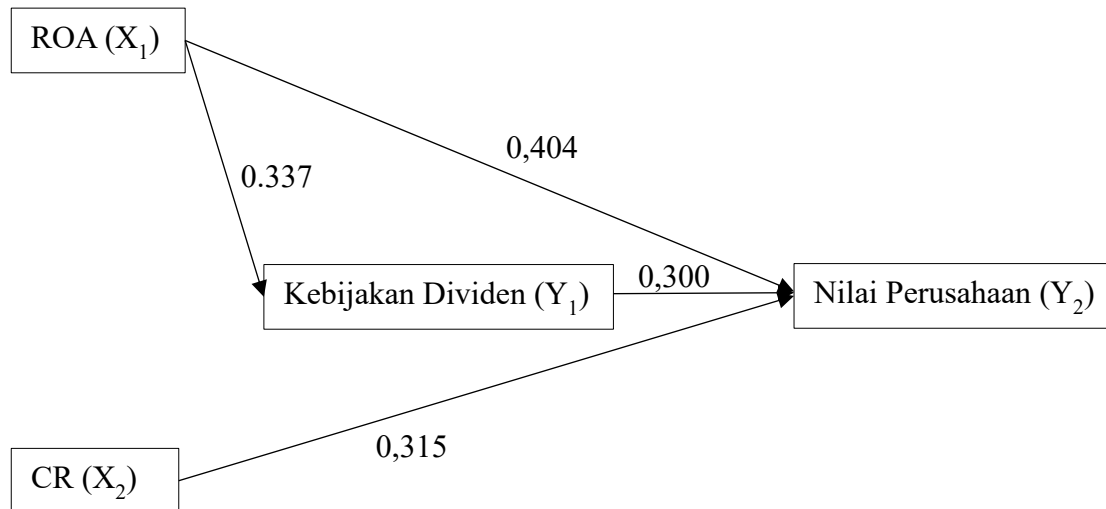

Figure 3 Overall Structure

Model Testing

The model test was carried out using the Goodness of Fit which aims to determine the suitability or suitability of the sample data istribution in the research model. This test is a substitute for the F test in the path analysis model. With the following calculations:

$$
\begin{aligned}
R_m^2 &= 1 - (1 - R_1^2).(1 - R_2^2) \\
&= 1 - (1 - 0,179).(1 - 0,545) \\
&= 0,6264 \\
M &= 1 - (1 - R_{y1x1}^2).(1 - R_{y2y1x1x2}^2) \\
&= 1 - (1 - 0,146).(1 - 0,508) = 0,5798 \\
Q &= \frac{1 - R_m^2}{1 - M} = \frac{1 - 0,6264}{1 - 0,5798} = 0,8891 \\
W &= -(N - d)\ln Q \\
&= -(36 - 1)\ln 0,8891 \\
&= 4,1141 \\
Tabel\ X^2{}_{dk=1;\ \alpha=0,1} &= 2,7055
\end{aligned}
$$

Where W = 4.1141 > X^2 = 2.7055, it can be concluded that both models are significant and the two models formed are capable of interpreting this phenomenon. So the model in this study is feasible or appropriate.

Intervening Variable Testing

The intervening variable test is carried out on the DPR variable, whether DPR is the intervening variable for the effect of ROA on TQ

$$
Z_{ROA} = \frac{ROA.DPR}{\sqrt{(DPR^2 S_{ROA}^2) + (ROA^2 S_{DPR}^2)}} = \frac{8,228\ X\ 1,299}{\sqrt{(1,299^2 2,810^2) + (8,228^2 0,588^2)}} = 1,763
$$

Based on the calculation of ZROA = 1.763 > ZTABEL = 1.645. So it can be concluded that ROA through DPR has an effect on TQ or in other words DPR is able to mediate ROA on firm value (TQ).

5. Discussion

The influence of ROA on the DPR

Based on the results of this study it was found that Return On Assets (ROA) has a positive effect on the Dividend Payout Ratio (DPR). This research is in line with research from Ginting (2018), Perwira & Wiksuana (2018), Ratnasari & Purnawati (2019), Amanah (2020) and Gunadi & Yuliastuti (2020) which suggest that ROA has a positive effect on the DPR.

ROA is a company's ability to utilize total assets in generating company profits, the greater the profit, the greater the availability of company cash funds. While the DPR is a comparison of the amount of dividends paid to profit, the distribution of dividends is related to the amount of the company's cash funds.

So it can be concluded that the company's effectiveness in utilizing total assets to earn profits will affect the amount of dividends distributed by the company to shareholders. The greater the ROA level, the dividend payout ratio will also increase, conversely if the ROA rate decreases, the DPR rate will also decrease.

The influence of CR on the DPR

Based on the results of this study it was found that CR had no effect on the DPR. This result is in line with research by Ginting (2018) and Wahyuni & Hafiz (2018) which stated that CR had no effect on the DPR. This concludes that the size of CR does not affect the amount of dividends that will be paid by the company to shareholders. Adequacy of cash funds is not a determining factor for companies in paying dividends. Because the company has several alternatives to get funds not only with company cash funds. Apart from cash funds, companies can obtain funds from external sources to meet dividend payments for the welfare of shareholders.

The influence of DER on the DPR

Based on the results of this study it was found that DER had no effect on the DPR. This is in line with research by Ginting (2018), Rahmasari (2019) and Amanah (2020) who found DER had no effect on the dividend payout ratio. But for construction and banking companies where debt is a source of company operations. The greater the debt, the greater the potential funds obtained by the company. So that debt has no effect on dividend payments.

The influence of GA on the DPR

Based on the results of this study found that asset growth has no effect on the DPR. These results are not in line with research by Perwira & Wiksuana (2018) which suggests that asset growth has a positive effect on dividend policy.

The influence of ROA on TQ

Based on the results of this study it was found that Return On Assets (ROA) has a positive effect on firm value proxied by TQ. This research is in line with research from Perwira & Wiksuana (2018), Setyawan (2019), and Gunadi & Yuliastuti (2020) which suggest that ROA has a positive effect on company value. Apart from having a direct effect, ROA also has an indirect effect through the Dividend Policy (DPR).

TQ is the company's value resulting from the sum of the market value of equity and total debt divided by the company's total assets. While ROA is the company's ability to utilize total assets in generating company profits, the greater the profit, the greater the availability of company

cash funds. ROA is also one of the company's financial performance ratios. The greater the ROA value, the better the company's financial performance will be. Good company performance provides a positive stimulus for company value.

So it can be concluded that the company's effectiveness in utilizing total assets to earn profits will affect the value of the company. The greater the level of ROA, the value of the company will also increase, conversely if the level of ROA decreases, the value of the company will also decrease.

The influence of CR on TQ

Based on the results of this study, it was found that CR had a positive effect on firm value proxied by TQ. This research agrees with research conducted by Rahmasari, Suryani, Oktaryani (2019) and Setyawan (2019) which suggests that CR has a positive effect on firm value. CR is the company's ability to pay short-term obligations with current assets, which is commonly called the level of liquidity. Just like ROA, CR is one of the company's financial performance ratios. So the greater the CR value, the better the company's financial performance. Good financial performance then provides a positive stimulus for company value.

So it can be concluded that the level of company liquidity or the company's ability to pay short-term liabilities with current assets will affect the value of the company. The greater the level of CR, the value of the company will also increase, conversely if the level of CR decreases.

The influence of DER on TQ

Based on the results of this study found that DER has no effect on firm value. This is in line with the research of Rahmasari, Suryani, and Oktaryani (2019) who found DER had no effect on company value.

The influence of GA on TQ

Based on the results of this study found that asset growth has no effect on firm value. This is in line with the results of research conducted by Triyani & Rosyid (2019). Asset growth that is not accompanied by good performance cannot produce maximum results. In addition, the effect of firm value is not only influenced by asset growth, there are other factors that are more significant that affect firm value than asset growth.

The influence of DPR on TQ

Based on the results of this study found that the DPR has a positive effect on firm value. These results agree with research conducted by Perwira & Wiksuana (2018) and Gunadi & Yuliastuti (2020). DPR is the ratio of dividend payments to profits distributed for the welfare of shareholders. The greater the value of the DPR, it is considered capable of giving a positive signal to shareholders and investors so that it will have a positive impact on company value.

This supports the signaling theory in which the dividend payout ratio is a positive signal for investors towards company management in the future which is considered to be getting better. And it is also a positive signal for shareholders to maintain their funds and get hopes of increasing returns in the future.

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