

The Mediating Role of Dividend Policy in the Influence of Profitability on Firm Value

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Abstrak

Penelitian ini bertujuan untuk menguji secara empiris pengaruh profitabilitas terhadap nilai perusahaan melalui kebijakan dividen sebagai variabel intervening pada perusahaan sektor barang baku yang terdaftar di Bursa Efek Indonesia periode 2013-2023. Penelitian dilakukan karena terdapat fenomena bisnis pada topik penelitian, inkonsistensi hasil perhitungan data empiris dengan kajian teoritis, dan inkonsistensi penelitian sebelumnya yang menimbulkan research gap. Topik penelitian yaitu Nilai Perusahaan yang mencerminkan nilai sekarang dari pendapatan yang diharapkan di masa depan. Variabel Kebijakan dividen diproksi menggunakan Dividen Payout Ratio (DPR). Profitabilitas diproksi Return on Assets (ROA), dan Nilai Perusahaan menggunakan Price to Book Value (PBV). Penelitian ini merupakan jenis penelitian kuantitatif dengan teknik pengumpulan data menggunakan teknik dokumentasi yang berasal dari laporan keuangan perusahaan. Populasi penelitian merupakan perusahaan sektor industri barang baku dengan periode penelitian selama 11 tahun. Teknik analisis data yang digunakan dalam penelitian adalah Regresi data panel dan sobel test menggunakan aplikasi Eviews versi 12 dengan data yang diolah berupa data panel. Penelitian menunjukkan hasil bahwa profitabilitas tidak berpengaruh signifikan terhadap nilai perusahaan, tetapi kebijakan dividen berpengaruh negatif dan signifikan terhadap nilai perusahaan. Variabel Kebijakan dividen berpengaruh positif dan signifikan terhadap nilai perusahaan. Kemudian, kebijakan dividen mampu memediasi pengaruh profitabilitas terhadap nilai perusahaan

Kata kunci: Nilai Perusahaan, Profitabilitas, Kebijakan Dividen

Abstract

This study aims to empirically test the effect of profitability on firm value through dividend policy as an intervening variable in raw material sector companies listed on the Indonesia Stock Exchange for the period 2013-2023. The study was conducted because there was a business phenomenon in the research topic, inconsistency of empirical data calculation results with theoretical studies, and inconsistency of previous studies that caused a research gap. The research topic is Firm Value which reflects the present value of expected future income. The dividend policy variable is proxied using the Dividend Payout Ratio (DPR). Profitability is proxied by Return on Assets (ROA), and Firm Value using Price to Book Value (PBV). This research is a type of quantitative research with data collection techniques using documentation techniques derived from the company's financial statements. The research population is a raw material industry sector company

with a research period of 11 years. The data analysis technique used in the study is Panel Data Regression and Sobel Test using the Eviews version 12 application with the processed data in the form of panel data. The study shows that profitability does not have a significant effect on firm value, but dividend policy has a negative and significant effect on firm value. The dividend policy variable has a positive and significant effect on firm value. Then, dividend policy is able to mediate the influence of profitability on company value.

Keywords : *Company Value, Profitability, Dividend Policy*

INTRODUCTION

The raw materials sector is a company that sells products and services that are used by other industries as raw materials to produce final goods. The reason for choosing the raw materials sector is the first best sector in terms of stock investment. According to (Ariantini, 2023), the raw materials sector can be said to be one of the important and promising sectors in a country, because it is a company sector that provides raw materials needed by companies in other sectors. In Indonesia, the development of this industry is very rapid, both on a regional and national scale. The development of the company is much greater than other companies, especially in producing plastic and packaging products.

Companies as economic entities usually have short-term and long-term goals. In the short term, the company aims to obtain maximum profit by using existing resources, while in the long term the main goal of the company is to maximize the value of the company. (Azhar & Wijayanto, 2018) stated that high company value will be followed by high shareholder prosperity. High company value also indicates good company performance. According to (Brigham & Houston, 2010) there are several factors that influence company value, namely: liquidity ratio, asset management ratio, debt management ratio, and profitability ratio. High company value will be followed by high shareholder prosperity.

High company value indicates good expectations for a company and its industry, thus attracting potential investors to invest. Investor expectations of a company's performance are reflected in the company's stock price which ultimately increases shareholder prosperity. Company value can be measured using the PBV (Price Book Value) or PER (Price Earning Ratio) parameters. In terms of measurement, PBV is a parameter used by comparing the stock price with the company's book value. In calculating PBV, the company's book value is obtained through financial statements, especially the balance sheet, by subtracting the company's liabilities from its assets. PBV is a benchmark for potential investors to assess the price of a company. PBV can also be used to compare a company's shares with other companies.

The relationship between profitability and company value is reflected in its ability to generate profit or business profit. Companies need to generate profits that can guarantee the continuity of the company's business. Companies that generate high profitability are reflected in high stock prices as positive feedback from potential

investors. If a company's profitability is high, it shows that the company is working efficiently and effectively in managing the company's assets in obtaining profit each period (Horne & Wachowicz, 2013). The company's ability to generate good profits is the hope of all investors in determining their investment policies

There are still gaps in the results of previous studies. According to (Lutfi, 2022), it states that profitability has a positive relationship with company value. The same results were also found in the study (Anisa et al., 2021). The gap in research results was found in the study (Mercyana et al., 2022) that profitability has a negative and significant effect on company value. The higher the ROA value, the lower the company's PBV value. The results of this study are in line with the study (Herawan & Dewi, 2021). In addition, there is research that shows that profitability does not have a positive and insignificant effect on company value, namely: (Agustina & Huda, 2022)

METHODOLOGY

Types of Research

In terms of the method used, this study uses an associative research type. Associative research is a study that aims to determine the relationship between one variable and another or between more than two variables. The results of the study will determine the picture of whether or not there is a relationship between the variables studied. In terms of the type of data and data analysis used, this study uses a quantitative research type. Quantitative research is a research method that collects and analyzes numerical data to answer research questions. The results of this study can support previous theories and findings or refute previous theories. The data used is usually in the form of numbers or sentences that are quantified.

Sample selection and methods

The population of this study consists of all companies listed in the basic materials sector from 2013 to 2023, totaling 103 companies. Sampling using the purposive sampling method, which is a sampling method using several criteria determined in the selection. This study will include companies that meet the following requirements: (1) Companies that consistently release annual reports between 2013 and 2023; and (2) Companies that pay annual dividends between 2013 and 2023 and are listed in the basic materials industry. Eight companies were selected as research samples based on these criteria. This study uses several analysis techniques, namely descriptive statistics, panel data regression analysis, and Sobel test analysis. In this study, the data was analyzed using Eviews 12 software. To provide the most accurate estimates, using multivariate linear regression. However, before evaluating the multiple regression model, the panel multiple regression model must be met. This model includes the Chow test, the Hausman test, and the Lagrange test.

RESULTS AND DISCUSSION

Descriptive Statistical Test

Table 1. Descriptive Statistical Tes

	PBV	ROA	DPR
Mean	2.20375	0.064432	0.352386
Medium	0.63000	0.050000	0.170000
Maximum	21.17000	0.270000	2.250000
Minimum	0.13000	0.010000	0.010000
Std. Dev.	4.43028	0.054242	0.413955
Observation	88	88	88

The lowest (minimum) profitability (ROA) value is 0.010 owned by Tjiwi Kimia Tbk Paper Factory (TKIM) in 2015. The lowest (minimum) company value (PBV) value is 0.13 owned by Tjiwi Kimia Tbk Paper Factory (TKIM) in 2015. The result is that throughout 2015 the national stock market experienced quite heavy pressure along with slowing economic growth. The Composite Stock Price Index (IHSG) from the beginning of the year to December 21, 2015 still posted a negative return of 12.59 percent (bareksa.com, 2015).

The standard deviation value of profitability (ROA) is 0.0542 smaller than the average profitability value of 0.064. This shows that the profitability of the sample has a small level of deviation and the data does not vary or is homogeneous because the smaller the level of deviation, the smaller the variation in the data. Meanwhile, the standard deviation value of the company's value (PBV) is 4,430, which is greater than the average profitability value of 2,203. This shows that the value of the sample company has a large level of deviation and the data varies or is heterogeneous because the greater the level of deviation, the greater the variation in the data.

Panel Model Analysis

a. Substructural Equation 1: $Z = \alpha + p2X + \varepsilon_1$

Table 2. Chow test of structure 1

Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.671714	(7,79)	0.00000
Cross-section Chi-square	76.623464	7	0.00000

The results in the table above show that the cross-section probability value F is $0.000 < 0.10$, less than 10% as the level of significance, so it can be temporarily concluded that the fixed effect model is more appropriate for substructure I. Before continuing to the second stage of testing the model selection.

Table 3. Hausman test of structure 1

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-section random	2.630531	1	0.1048

It can be seen that the results of the Hausman test in the table above show that the probability value of the random cross section is 0.1048 which is > 0.10 , so it is temporarily concluded that the random effect model is more appropriate to use. From the temporary conclusion, one test is still needed to determine the research model.

Table 4. Lagrange test of structure 1

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	105.1576 (0.0000)	1.11759 (0.2782)	106.334 (0.0000)

Based on the results in the table above, the one-side cross section value is indicated by the lowest number in Breusch-Pagan, namely 0.000, where the value is smaller than $\alpha = 0.10$. So it can be concluded that the best estimation method used in substructural I is the random effect model.

b. Substructural Equation 2: $Y = \alpha + p_1X + p_3Z + \varepsilon_2$

Table 5. Chow test of structure 2

Effects Test	Statistic	d.f.	Prob.
Cross-section F	20.251524	(7,78)	0.00000
Cross-section Chi-square	91.153.063	7	0.00000

The results in the table above show that the cross-section probability value F is $0.000 < 0.10$, so it can be temporarily concluded that the fixed effect model is more appropriate for substructural II. Before continuing to the second stage of testing the model selection.

Table 6. Hausman test of structure 2

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-section random	1.160272	2	0.5598

It can be seen that the results of the Hausman test in the table above show that the probability value of the random cross section is 0.5598 which is > 0.10 , so it is

temporarily concluded that the random effect model is more appropriate to use. From the temporary conclusion, one test is still needed to determine the research model.

Table 7. Lagrange test of structure 2

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	148.6075	3.100138	151.7076
	(0.0000)	(0.0783)	(0.0000)

Based on the results in the table above, the one-side cross section value is indicated by the lowest number in Breusch-Pagan, namely 0.000, where the value is smaller than $\alpha = 0.10$. So it can be concluded that the best estimation method used in substructural II is the random effect model.

Classical Assumptions Testing

Based on the results of the model estimation, it shows that substructural I obtains a random effect model as the selected model. Substructural II, the selected model is a random effect model, so there is no need to conduct a classical assumption test. This happens because random effect is a model that uses the Generalized Least Square (GLS) method. If you get results with a regression model using random effects, there is no need to conduct a classical assumption test (Gujarati et al., 2011).

Results of Hypothesis Testing

Table 8. Uji Hipotesis 1

Dependent PBV				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
c	1.729481	1.460861	1.183878	0.2397
x	7.360788	6.791667	1.083797	0.2815

In table 8, the significance value obtained is above 0.10, which is $0.2815 > 0.10$ and the ROA value obtained shows that the effect of ROA on PBV is not significant. In addition, the value of *t-hitung* is 1.083797 when compared to the value of *t-tabel* at a real level of 10% ($\alpha = 0.10$) and degree of freedom ($df = 8-1 = 7$), then the value of *t-tabel* is 1.41492. It can be seen in the table that the results show that $t\text{-hitung} \leq t\text{-tabel}$, namely $1.083797 \leq 1.41492$, so the effect of ROA on PBV is stated to be insignificant.

Table 9. Hypothesis Test 2

Dependent DPR				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.498478	0.120326	4.142732	0.0001
X	-2.267377	0.672622	-3.37094	0.0011

In table 9, the significance value obtained is below 0.10, which is $0.0011 < 0.10$ and the ROA value obtained shows that the influence of ROA on DPR has a significant influence. In addition, it shows a *t-hitung* value of -3.370954 when compared to the *t-tabel* value at a real level of 10% ($\alpha = 0.10$) and degree of freedom (df) = $8-1 = 7$, then producing a *t-tabel* value of -1.41492. It can be seen in the table that the results show that $t\text{-hitung} \leq t\text{-tabel}$, namely $-3.370954 \leq -1.41492$, the negative coefficient sign indicates a negative direction of influence. This means that profitability has a significant negative effect on dividend policy.

Table 10. Hypothesis Test 3

Dependent PBV				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.472638	1.425071	1.033379	0.3043
Z	2.074745	1.005555	2.063283	0.0421

In table 10, the significance value obtained is below 0.10, which is $0.0421 < 0.10$ and the DPR value obtained shows that the influence of DPR on PBV has a significant influence. In addition, it shows the value of *t-hitung* of 2.063283 when compared to the value of *t-tabel* at a real level of 10% ($\alpha = 0.10$) and degree of freedom (df) = $8-1 = 7$, then producing a value of *t-tabel* of 1.41492. This shows that the level of dividend policy has a significant positive effect on company value.

Sobel Test

$$Sab = \sqrt{b^2 Sa^2 + a^2 Sb^2 + Sa^2 Sb^2}$$

$$Sab = \sqrt{2.074745^2 0.672622^2 + 2.267377^2 1.005555^2 + 0.672622^2 1.005555^2}$$

$$Sab = \sqrt{1,9474 + 1,1982 + 0,4574}$$

$$Sab = 2,9727$$

To calculate the t-value of the Sobel test, you can divide the value of the indirect influence coefficient by the value of the standard error of the indirect influence:

$$T1 = \frac{ab}{Sab}$$

$$T1 = \frac{(2.267377) \times 2.074745}{3,05132}$$

$$T1 = \frac{4,70422}{2,9727}$$

$$T1 = 1,5824$$

The results of the Sobel test calculation above show that the Sobel t-value is $1.5824 > 1.41492$, which is greater than the t-table value. So it can be concluded that the dividend policy variable is able to mediate the influence of the relationship between profitability and company value.

DISCUSSION

1. Effect of Profitability (ROA) on Company Value (PBV)

The results of the study show that profitability has no effect on the value of companies in the raw materials industry sector on the Indonesia Stock Exchange. Profitability does not affect company value because investors currently do not only focus on the profits owned by the entity but also investors tend to look at other factors of the entity that can provide long-term effects on the entity. This shows that high or low profitability cannot affect company value. so that profitability has no effect on company value. The results of the study are in accordance with (Marisa et al., 2022) which shows that the profitability variable has no effect on the company value variable.

2. Effect of Profitability (ROA) on Dividend Policy (DPR)

The results of the study indicate that profitability has a negative effect on the dividend policy of the raw materials sector. Companies that are committed to distributing dividends regularly are not affected by the size of the profits obtained. The company will use retained earnings to invest in productive sectors in order to obtain greater profits and strengthen the company's capital in the following year (Bawamenewi & Afriyeni, 2019). Companies that have high profitability do not always distribute dividends. Companies can use the profits obtained for business development or investment with the aim of generating income in the future. Companies can also allocate profits into retained earnings to make profitable investments.

3. Effect of Dividend Policy (DPR) on Firm Value (PBV)

The results of the study show that dividend policy has a positive effect on the value of companies in the raw materials sector. Companies that have a high level of dividend policy are considered to have the potential to provide high prospects or futures to shareholders. The results of the study (Sintyana & Artini, 2018) prove that dividend distribution can provide a positive signal to investors so that investors are interested in buying the company's shares. The increasing demand for the company's shares will increase the stock price, so that the company's value will also increase. This study is in line with research (Faidah, 2023) Dividend distribution by companies can affect stock prices, because investors tend to prefer the returns obtained from dividends rather than capital gains.

4. The Role of Dividend Policy (DPR) in mediating the Effect of Profitability (ROA) on Profitability (ROA)

The Sobel test analysis test with a significance level of 10% obtained research results showing that the indirect effect of profitability on company value through dividend policy is greater than the direct effect of profitability on company value. The results of the study are in accordance with (Sintyana & Artini, 2018). This proves that dividend distribution can provide a positive signal to investors so that investors are interested in buying the company's shares.

CONCLUSION

From the discussion of the study, it can be concluded that in raw material sector companies listed on the Indonesia Stock Exchange during the 2013-2023 period, profitability has a positive but insignificant effect on company value. Conversely, profitability negatively and significantly influences dividend policy, while dividend policy positively and significantly affects company value. Furthermore, dividend policy serves as a mediator in the relationship between profitability and company value.

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