Profitability and Liquidity on Firm Value with Dividend Policy Evidence From Indonesian

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Abstract: *This study aims to test the impact of profitability and liquidity on the value of companies using dividend policy Evidence From Indonesian (case studies of real estate and real estate companies listed on IDX). This research uses auxiliary data from the company's 2015-2019 financial statements. The population used in this study is 48 real estate companies listed on IDX. The sample consists of 9 companies; the sample is selected using the purpose sampling technique. The tools used in data processing use SPSS version 25. The analysis method used is the classic hypothesis test: normality test, multicollinearity test, heteroscedasticity test and linearity test. Hypothesis test uses partial test (T test) and determinant coefficient test (R2), and uses path analysis. The result of this study is that profitability has a positive and significant direct impact on the company's value of 0.258. Second, liquidity has a positive and significant direct impact on the company value of 0.300. Third, the dividend policy has a positive and significant direct impact on the company's value of 0.712. Fourth, profitability has a positive and significant direct impact on the 0.463 dividend policy. Fifth, liquidity has a positive and significant direct impact on the 1.086 dividend policy. Sixth, profitability has an indirect effect on company value, and the intermediate variable of the dividend policy is 0.330. Seventh, liquidity has an indirect effect on company value, and the intermediate variable of the dividend policy is 0.773.*
Keywords: profitability, liquidity, corporate value and dividend policy

1. INTRODUCTION

The growth of property and real estate companies continues to attract investors. This is due to the fact that high demand and population growth indicate that the property and real estate sector is still the sector of choice for investment in the medium and long term. Each company certainly contains a objective to extend company esteem. Increasing company value and finding out what factors can affect company value are very important for every company. Firm value provides information on how much investors value the company, so they are willing to invest (Fahmi, 2014). Firm value can influence investors before investing. This can be done before investing, investors usually first look at the company's financial performance reports and in general, information about profitability, liquidity, and dividend policy becomes information that investors pay attention to.

Profitability is the ability of a company to make a profit (Harahap, 2015). The company's high profitability means that the company will increase its profit opportunities. This makes investors believe that the company's future prospects are good, and can create a view that benefits the company for investors, thereby increasing the company's value..

Liquidity describes a company's ability to repay short-term debt (Kasmir, 2015). In the eyes of investors, companies with increased liquidity levels can be considered to perform well. This is because investors can predict how long the company can operate and raise funds for its operating activities. Therefore, if investors provide a good view, it will definitely have an impact on increasing company value

Dividend policy is the company's policy, whether to distribute dividends to shareholders in the form of dividends or to keep profits as undistributed profits (Halim, 2015). The dividend policy is related to the prosperity of shareholders and the company's future investment growth. The dividend policy requires the company to seriously consider and hope that shareholders can realize the dividend distribution without slowing down the company's development and growth.

In this study, the value of the company is replaced by the price-to-book ratio (PBV), which can be used to measure the value of the company. The larger the ratio, the higher the evaluation of the company by investors (Christiana & Putri, 2017). Then, to improve profitability through return on equity (ROE), ROE shows management's success in maximizing shareholder return (Hanafi & Halim, 2012). Next, liquidity is replaced by the current ratio (CR), which is considered a form of measuring the level of company safety (Kasmir, 2015). In addition, the dividend policy is represented by the dividend payout ratio (DPR), and investors can understand the amount of dividends paid by the company by looking at the dividend rate (Ramadhani et al., 2018).

The phenomenon is that there is fluctuation and even tends to decline as well as differences in the direction of growth between PBV, DPR, ROE, and CR as well as the occurrence of a research gap.

2. LITERATURE REVIEW

2.1 Company Value

The value of the company can be seen from measuring the performance of the company owned by the company. According to (Harmono, 2014), company value refers to the company's performance reflected by the company's stock price. The company's stock price is formed based on the supply and demand relationship in the capital market. It illustrates the evaluation of the company's performance by potential investors. Some other experts pointed out that company value is the condition for realizing the company and reflects the public's trust in the company. The company's high value not only makes the market believe in the company's performance, but also makes the company full of confidence in the company's future. One of the prosperity of shareholders can be seen from the high and low value of the company (Febriana et al., 2016).

The company value in this study is measured using book value (PBV). This is based on the research conducted by Christiana & Putri (2017), in which the PBV value can provide an idea of how much the market adds to the book value of the company's stock..

2.2 Profitability

In order to maintain long-term business continuity, the company certainly hopes that the profitability it can obtain is in line with its goals. According to Harahap (2015), profitability is the ability of a company to obtain profit by managing the company's resources (such as trading activities, cash, capital, number of employees, etc.).

Profitability is the ability of a company to generate profits by processing assets and equity, selling, etc. (Hanafi, 2012). The profit ratio used in this study is the return on equity (ROE). This is because the value of ROE can prove the success of management in maximizing and increasing shareholder returns (Hanafi, 2012).

2.3 Liquidity

In order to maintain a long-term oriented business continuity, of course, the company really hopes that the profitability obtained is in accordance with the company's targets. According to (Harahap, 2015a) profitability is the ability of a company to earn profits by managing the company's resources such as trading, cash, capital, number of employees, and so on. Benefit is the company's capacity to produce benefits by handling resources and share capital, offering, and so on (Hanafi, 2012).

One of the types of liquidity ratios is the Current Ratio (CR), which is said to be a form of measurement of the level of security in a company (Kasmir, 2015a). A high CR value means that the company has a larger number of current assets, this makes investors believe that the company pays its obligations, this will make investors' interest to invest, will be influenced by the size of the CR value owned by the company.

2.4 Dividend Policy

Profit approach could be a approach with respect to the rate of benefit that a company will disperse to shareholders within the shape of profits, such as cash dividends, share repurchases and maintaining dividend stability (Horn\e, 2013). The dividend policy is a company's provision for distributing profits to shareholders within a certain period, or retaining the profits as undistributed profits (Halim, 2015a).

The profit approach utilized in this ponder is the profit payout proportion (DPR). According to Parica (2013), using the proxy dividend payout ratio (DPR) to measure dividend policy is a comparison between dividends per share and net income per share, where a high DPR value will bring benefits to shareholders or investors, but a high DPR Will bring benefits to shareholders or investors to minimize retained earnings, thereby weakening internal finances. By looking at this ratio, investors can understand the amount the company distributes its dividend portion and why the company does not distribute all profits as dividends (Ramadhani et al., 2018).

3. METHODS

This research uses a type of quantitative research that focuses on testing hypotheses to find the truth of the research hypothesis which will then be carried out by statistical tests to obtain further information and explanation in the form of more accurate statistical data (Sugiyono, 2016). The population used by the researchers is all real estate and real estate companies listed on the Indonesian Stock Exchange (BEI) from 2015 to 2019, with a total of 48 companies, which in the sample selection the researcher used the purposive sampling method so that a sample of 9 companies was selected.

Table 3.1
Research Samples

No	Company Name	Company Code
1	Bekasi Fajar Industrial Estate Tbk	BEST
2	Ciputra Development Tbk.	CTRA
3	Gowa Makassar Tourism Development Tbk	GMTD
4	Perdana Gapura Prima Tbk	GPRA
5	Jaya Real Property Tbk	JRPT
6	Metropolitan Kentjana Tbk	MKPI
7	Metropolitan Land Tbk	MTLA
8	Pakuwon Jati Tbk	PWON
9	Summarecon Agung Tbk	SMRA

Source : Data processed on the IDX (2020)

When acquiring data, data collection techniques including document technology and literature research will be carried out, and archive data obtained from the Indonesian Stock Exchange website and www.sahamok.com and www.finance.yahoo.com will be used for document technology . Literary research is conducted by browsing various literature related to research, such as books, periodicals and scientific works. The data used is auxiliary data, so the data collection technology used is believed to produce correct data. In data processing, the SPSS version 23 tool is used where the analysis method used has three stages, namely the classical assumption test, the hypothesis test and the path analysis method. The classical hypothesis tests used include normality test, multicollinearity test, heteroscedasticity test and linearity test, while hypothesis test includes partial test (t test) and coefficient of determination (R2).

4. RESULTS AND DISCUSSION

4.1 Classic suspicion test

A. Normality Test

Table 4.1
Kolmogorov-Smirnov Test Results for Equation I and Equation II

Constructs	Sig
Equation I	0.200*
Equation II	0.200*

According to the results of a sample Kolmogorov-Smirnov method shown in Table 4.1, the apparent significance value is 0.200>0.05. Therefore, both regression models are normally distributed and satisfy the normality assumption.

B. Multicollinearity Test

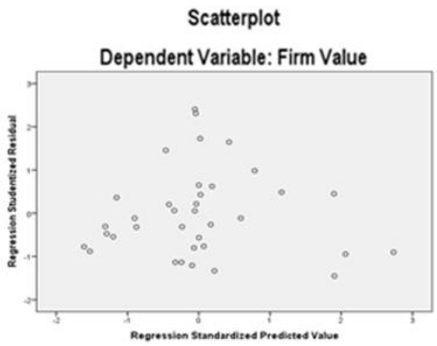
Table 4.2
Multicollinearity Test for Equation I and Equation II

Equation	Constructs	Tolerance	VIF
I	X_1	.742	1.347
	X_2	.584	1.712
	Z	.597	1.675
II	X_1	.551	1.816
	X_2	.551	1.816

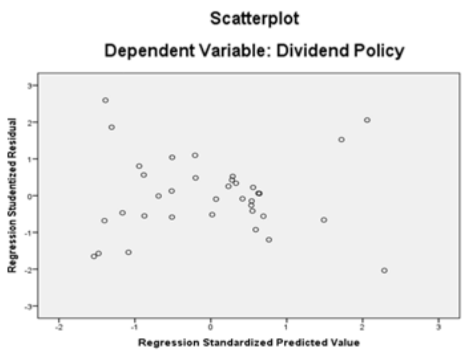
According to the multicollinearity test results in Tables 4.2, it can be seen that all the independent variables in Equation 1 and Equation 2 have a tolerance >0.1 and a VIF value<10. From these results, it can be concluded that all exogenous variables did not have multicollinearity in the study.

C. Heteroscedasticity Test

Picture 4.1 Heteroscedasticity Test of Equation I



Picture 4.2 Heteroscedasticity Test of Equation 2



According to the results of the heteroscedasticity test in Figures 4.1 and 4.2, it can be seen that the distribution of points is random, does not form a pattern, and expands above or below the number 0 on the y axis, so it can be concluded that heteroscedasticity will not occur.

D. Linearity Test

Table 4.3
Linearity Test for Equation I and Equation II

Constructs	Sig
Equation I	0.000*
Equation II	0.000*

Based on the linearity test table in table 4.3 it is known that the sig. 0.000 <0.05, so it can be concluded that there is a linearity relationship in the model structure in equation I and equation II.

E. Hypothesis Testing

A. Partial Test (t test)

Table 4.4
Endogenous t-test of Firm Value and Dividend Policy

Endogenous t-test	Constructs	T	Sig
Firm Value	X_1	2.253	.031
	X_2	2.319	.027
	Z	5.573	.000
Dividend Policy	X_1	3.317	.002
	X_2	7.773	.000

Based on the t test table in 4,4 it can be concluded that:

a. One kind. According to Table 4.4, the variable Profitability value tcount 2.253> ttable 2.037 and the significant value 0.031 <0.05. Therefore, H1 is accepted, which means that profitability has a positive and direct impact on company value.
b. According to Table 4.4, the value of the fluidity variable is t count 2.319> t Table 2.037, and the effective value is 0.027 <0.05. This accepts H2, which means that liquidity has a positive and direct impact on the company's value.
c. According to Table 4.4, the value of the "dividend policy" variable is t count 5,573> t Table 2.037, and the effective value is 0.000 <0.05. Therefore, H3 is accepted, which means that profitability has a positive and direct impact on company value.
d. According to Table 4.4, the profitability variable tcount 3.317> ttable 2.037 and the significant value 0.002 <0.05. Therefore, H4 is accepted, which means that profitability has a positive and direct impact on dividend policy.
e. According to Table 4.4, the profitability variable value tcount 7.773> t Table 2.037 and the significant value 0.000 <0.05. Therefore, H5 is accepted, which means that profitability has a positive and direct impact on dividend policy

f. Determinant Coefficient Test (R2)

Table 4.5
R2 Test of Equation I and of Equation II

Constructs	Adjusted R Square
Equation I	0.710
Equation II	0.661

From Table 4.5 above, the adjusted R-squared amount based on the analysis results is 0.710. Therefore, the impact of profitability, liquidity, and dividend policy on the company's value is 71%, and the remaining 29% is affected by other variables not studied in this study (such as GCG and debt policy).

From Table 4.5 above, the adjusted R-squared amount based on the analysis results is 0.661. Therefore, profitability and liquidity have a 66% impact on dividend policy, and the remaining 34% is affected by other variables not examined in this study, such as company size and debt policy.

F. Path Analysis

Table 4.6
Path Analysis Coefficient of Equation I and Equation II

Path Analysis Coefficient	Constructs	Coefficient	Sig	Adjusted R Square
Equation I	X_1	.258	.031	.710
	X_2	.300	.027	
	Z	.712	.000	
Equation II	X_1	.463	.002	.661
	X_2	1.086	.000	

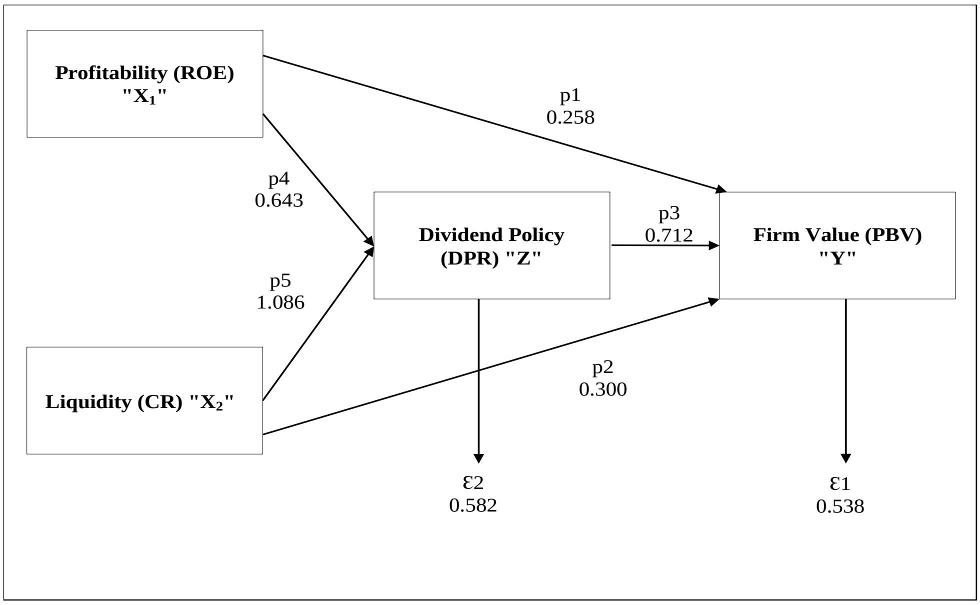
Based on the table 4.6 the sig value. exogenous variable, namely profitability with a coefficient of 0.258, sig. 0.031 <0.05; Liquidity with a coefficient of 0.300, sig. 0.027 <0.05 and Dividend Policy with a coefficient of 0.712, sig. 0.000 <0.05. This result means that the equation model I is significant. The Adjusted-R value is 0.710. This value determines the path coefficient with its residual, namely: Pε1 = √ (1- R21) = √ (1- 0.710) = 0.538. Then, the resulting Equation I is:

$$\boxed{Y = 0.258X_1 + 0.300X_2 + 0.712Z + 0.538}$$

Based on the table 4.6 the sig value. exogenous variable, namely profitability with a coefficient of 0.463, sig. 0.002 <0.05; Liquidity with a coefficient of 1.086, sig. 0.000 <0.05. This result means that the equation model II is significant. Based on table the Adjusted-R value is 0.661. This value determines the path coefficient with its residual, namely: Pε2 = √ (1- R21) = √ (1- 0.661) = 0.582. Then, the resulting equation II is:

$$\boxed{Z = 0.463X_1 + 1.086X_2 + 0.582}$$

Picture 4.3
Path Analysis Diagram



Source: Researcher (2020)

Based on Figure 4.3 above, it can be concluded that:

a. Analysis of the impact of profitability on corporate value.
   According to the calculation of the above path coefficient, it can be seen that the direct impact coefficient of the Profitability variable on the company's value is 0.258 smaller than the indirect effect of 0.330, so the indirect effect is more effective than the direct effect. Therefore, dividend policy is an intermediate variable between profitability and company value. The actual impact of profitability on company value is an indirect impact.
b. Analysis of the impact of liquidity on corporate value. According to the calculation of the path coefficient above, it can be seen that the direct influence coefficient of liquidity variables on the company's value is 0.300 smaller than the indirect influence of 0.773, so the indirect effect is more effective than the direct effect. Therefore, dividend policy is an intermediate variable between liquidity and corporate value. Therefore, the actual impact of liquidity on corporate value is an indirect impact.

5. CONCLUSION

Based on the results explained above, the research conclusions can be described as follows:

a. Profitability has a positive and significant direct impact on company value.
b. Liquidity has a positive and significant direct impact on corporate value.
c. The dividend policy has a positive and significant direct impact on company value.
d. Profitability has a positive and significant direct impact on dividend policy.
e. Liquidity has a positive and significant direct impact on dividend policy.
f. Through the dividend policy, profitability has a significant impact on the company's value. Therefore, dividend policy is an intermediate variable between profitability and company value. The actual impact of profitability on the value of a company is indirect.
g. Through the dividend policy, liquidity has a significant impact on company value. Therefore, dividend policy is an intermediate variable between liquidity and corporate value. The actual impact of liquidity on company value is an indirect impact

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