

Dividend Policy Mediates the Impact of Financial Performance and Asset Structure on Firm Value

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ABSTRACT

In the country's economic growth, the construction industry is an important contributor and is directly influenced by government policies, because the government can regulate the economy by carrying out public works construction during periods of stagnation. The purpose of this study is to analyze and provide empirical evidence of Dividend Policy mediating the influence of Asset Structure on Company Value. The research was conducted using quantitative descriptive research methods. The population used is 18 manufacturing companies in the construction and building sector listed on the Indonesia Stock Exchange. The samples used were 10 companies. The analytical tools used use regression model tests, classical assumption tests, hypothesis tests and path analysis. The results of the study can be concluded indirectly Asset Structure through Dividend Policy has a significant influence on Company Value.

Keywords: Solvency Ratio, Probability Ratio, Asset Structure, Company Value, Dividend Policy

INTRODUCTION

The increase in the construction industry in Indonesia is due to the government having plans in infrastructure development which includes the construction of airports, ports, roads, railways, and other public transportation facilities. With the existence of foreign construction service business entities in Indonesia, especially from Japan, China, and Korea, the number of construction business entities (small, medium and large) in Indonesia has decreased, while the construction market in Indonesia is the largest. Factors that cause foreign power in the construction industry to increase are the ability to manage construction businesses, construction professionals, individual worker capacity, adequate support and government support. In the country's economic growth, the construction industry is an important contributor and is directly influenced by government policies, because the government can regulate the economy by carrying out public works construction during periods of stagnation.

Countries with increasingly rapid and sophisticated population and technological development encourage the interdependence of economic and cultural activities. This phenomenon involves the integration of economics, culture, government policy, technology, science and global political movements. With the movement of these activities, it is hoped that it can be supported by adequate infrastructure so that infrastructure development is carried out on a large scale. In infrastructure development Indonesia is still lagging behind, therefore the government took steps by building various mega projects in the National Strategic Project. Large project activities in infrastructure development have a positive impact on the value of construction companies so that they can make investors invest by buying company shares as a form of anticipation of the potential increase in company value.

Company value is the price that prospective buyers are willing to pay if the company is sold. The higher the value of the company, the greater the prosperity that will be received by the owner of the company (Amelia, & Anhar, 2019). Company value is important because it represents the company's performance that can affect investors' perception of the company. Investors' perception of a company's success rate is generally associated with the stock price. A high stock price creates a high company value. High company value can make the market believe not only in the company's current performance but in the company's future prospects. The value of the company is generally indicated from the Price to Book Value (PBV).

Factors that can affect Company Value include financial performance and asset structure. One of the ratios used to measure financial performance is the solvency ratio and profitability ratio. The solvency ratio used is the Debt to Asset Ratio (DAR) and the profitability ratio used is Return On Asset (ROA). Both the solvency ratio and profitability ratio are important indicators of a company's financial health and performance. These ratios are commonly used by investors, creditors, and analysts to evaluate a company's ability to meet its financial obligations, generate profit, and create shareholder value.

Price to Book Value in Construction and Building Manufacturing Companies Listed on the Indonesia Stock Exchange fluctuates per year, for example in 2020 it increased from 0.28 to 2.44 due to rising stock prices, and in 2021 it decreased from 2.44 to 0.52 due to an increase in book value.

THEORETICAL BASIS

Financial Management

Financial management can be interpreted as all company activities related to efforts to obtain company funds at low costs and efforts to use and allocate these funds efficiently. According to (Dewi, & Oktavianti, 2022), financial management is the entire activity concerned with efforts to obtain funds and use or allocate these funds". Financial management is a critical function in any organization, as it ensures the effective and efficient utilization of financial resources, enables informed decision-making, and contributes to the company's long-term success and sustainability. Effective financial management enables a company to achieve its strategic objectives, maintain financial stability, and create value for its stakeholders.

Financial Statements

According to (Rimawan, et, al., 2022) the definition of financial statements is, financial statements are structures that present financial position and financial performance in an entity. The general purpose of these financial statements in the public interest is the presentation of information about the financial position, financial performance and cash flow of an entity that is very useful for making economic decisions for its users. To achieve this goal, financial statements provide information on the elements of an entity consisting of assets, liabilities, networth, expenses, and revenues, changes in equity and cash. Such information followed by notes, will help users predict future cash flows.

Financial Performance

According to (Siagian, 2022) financial performance is a formal effort to evaluate the efficiency and effectiveness of a company in generating profits and certain cash positions. By measuring financial performance, it can be seen the prospect of growth and financial development of the company from relying on the resources it has. The company is said to be successful if the company has achieved a certain performance that has been determined.

According to (Madya, & Saleh, 2019), company performance is an analysis carried out to determine the extent to which the company has implemented the rules that have been set related to the use of finance appropriately and correctly. Such as by making a

report that has met the standards and provisions in Financial Accounting Standards or General Accepted Accounting Principles, and others.

Solvency Ratio

According to (Vernando, & Erawati, 2020) the Solvency Ratio or leverage ratio is a ratio used to measure the extent to which a company's assets are financed with debt. This means how much debt burden the company bears compared to its assets. In a broad sense, it is said that the solvency ratio is used to measure the company's ability to pay all its obligations, both short-term and long-term if the company is dissolved.

According to (Yunita, et, al., 2022) that the solvency ratio is a ratio that shows how the company is able to manage its debts in order to make a profit and also be able to pay off its debts. In principle, this ratio gives an idea of the level of debt adequacy of the company. That is, how large is the portion of debt in the company when compared to existing capital or assets.

Profitability Ratio

The profitability ratio is the company's ability to earn profits in relation to sales, total assets, and own capital. Thus, long-term investors will be very interested in this profitability analysis.

According to (Setyabudi, 2022) the definition of profitability ratio is a ratio to assess the company's ability to seek profit. This ratio also provides a measure of the level of management effectiveness of an enterprise. This is indicated by the profit generated from sales and investment income. The idea is that the use of this ratio shows the efficiency of the company.

Asset Structure

The structure of a company's assets plays an important role in determining a company's financing. Companies that have high long-term fixed assets, because the demand for their products is high. This will result in the use of long-term debt. Companies whose assets are partly in the form of receivables and inventories whose value is highly dependent on the stability of the level of profitability, are not too dependent on short-term financing.

(Putri, & Sembiring, 2021) Asset structure is also called asset structure or wealth structure. Asset structure or wealth structure is a balance or comparison both in the absolute sense and in the relative sense between current assets and fixed assets.

Company Value

According to (Sari, & Lestari, 2022) defines that company value is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, starting from the time the company was established until now.

According to (Febriansyah, 2021) company value is an investor's perception of the manager's success rate in managing the company's resources entrusted to him which is often associated with stock prices.

Dividend Policy

Dividend policy is part of the company's spending decisions, especially related to the company's internal spending. This is because, the size of the dividends distributed will affect the size of retained earnings. Retained earnings is one of the company's internal sources of funds (Putri, & Seswandi, 2022).

Dividend policy is a decision whether the profits obtained by the company, at the end of the year will be distributed to shareholders in the form of dividends or will be retained to increase capital to finance investments in the future (Cahyani, et, al., 2022).

METHOD

The research method used is a descriptive research method. Descriptive research method is research conducted to determine the value of independent variables, either one variable or more (independent) without making comparisons or linking between one variable with another variable.

This study uses a quantitative approach because the symptoms of observations are converted into numbers that are analyzed using statistics. This research is a type of experimental research, research with an experimental approach is a study that seeks to find the influence of certain variables on other variables under tightly controlled conditions.

The population targeted in this study is a manufacturing company in the field of construction and buildings listed on the Indonesia Stock Exchange.

In this study, the author used sampling techniques using non-probability sampling techniques. Many samples used in this study are 10 manufacturing companies in the field of construction and buildings listed on the Indonesia Stock Exchange.

RESULT

Analysis of the effect of X1 on Y

The significance value of the Debt to Asser Ratio is $0.6278 > 0.05$. So it can be concluded that directly there is no significant effect of Debt to Asser Ratio on Price to Book Value. Based on the given p-value (0.6278) being greater than 0.05, you can indeed conclude that there is no statistically significant effect of the Debt to Asset Ratio on the Price to Book Value at the chosen significance level ($\alpha = 0.05$). In other words, there is insufficient evidence to suggest that changes in the Debt to Asset Ratio have a significant impact on the Price to Book Value, according to the results of the statistical test. However, it's essential to remember that statistical significance does not necessarily imply practical significance. Even though the statistical test did not find a significant effect, there might still be a meaningful relationship between the variables, but the sample size or other factors might be limiting the ability to detect it in this particular analysis.

Analysis of the effect of X2 on Y

The significance value of Return On Asset is $0.0013 < 0.05$. So it can be concluded that there is a direct significant influence of Return on Asset on Price to Book Value. The research results state that the significance value (p-value) of ROA is 0.0013, which is less than the commonly used significance level of 0.05. In hypothesis testing, the significance level (often denoted as α) is the threshold below which we consider the results to be statistically significant.

Since the p-value (0.0013) is less than the significance level (0.05), we can draw the following conclusions:

1. There is a statistically significant relationship between Return on Asset and Price to Book Value.
2. The p-value being very low (0.0013) indicates strong evidence in favor of the relationship between these variables.

In practical terms, the research results suggest that changes in Return on Asset have a direct and significant influence on Price to Book Value. Companies with higher Return on Asset values are likely to have higher Price to Book Value ratios, and those with lower Return on Asset values may have lower Price to Book Value ratios.

Researchers and readers can have confidence in these conclusions due to the low p-value, which implies that the observed relationship is unlikely to have occurred by chance

alone. The study's findings may have important implications for investors, financial analysts, and decision-makers who can use this information to better understand and evaluate a company's financial performance and valuation.

Analysis of the effect of X3 on Y

The significance value of the Asset Structure of $0.3550 > 0.05$. So it can be concluded that directly there is no significant influence of Asset Structure on Price to Book Value. The research results state that the significance value (p-value) of Asset Structure is 0.3550, which is greater than the commonly used significance level of 0.05. In hypothesis testing, the significance level (often denoted as α) is the threshold below which we consider the results to be statistically significant.

1. Since the p-value (0.3550) is greater than the significance level (0.05), we can draw the following conclusion:
2. There is no statistically significant relationship between Asset Structure and Price to Book Value.

In other words, based on the results of the statistical analysis, there is insufficient evidence to suggest that changes in Asset Structure have a significant impact on Price to Book Value. The observed relationship, or lack thereof, is likely to be due to random chance rather than a meaningful association between the variables.

Analysis of the Effect of X1 on Z

The significance value of Debt to Asser Ratio of $0.5097 > 0.05$. So it can be concluded that there is directly no significant effect of Debt to Asser Ratio on Dividend Policy. The statement "there is directly no significant effect of Debt to Asset Ratio on Dividend Policy" suggests that, based on the results of the research study and the statistical analysis performed, there is no meaningful or statistically significant relationship between the Debt to Asset Ratio and Dividend Policy. In other words, changes in the Debt to Asset Ratio do not appear to have a direct and significant influence on the Dividend Policy of the company or companies studied.

Analysis of the effect of X2 on Z

The significance value of Return On Asset of $0.7939 > 0.05$. So it can be concluded that there is directly no significant effect of Return on Assets on Dividend Policy. This research finding can have important implications for investors, financial analysts, and decision-makers. If there is no significant effect of Return on Assets on Dividend Policy,

it means that companies' dividend decisions might not be primarily determined by their profitability, as measured by ROA.

Analysis of the effect of X3 on Z

The significance value of the Asset Structure of $0.4168 > 0.05$. So it can be concluded that there is directly no significant influence of Asset Structure on Dividend Policy. This research finding can have important implications for investors, financial analysts, and decision-makers. If there is no significant influence of Asset Structure on Dividend Policy, it means that the proportion of a company's assets financed through debt or equity does not play a significant role in determining its dividend decisions.

Analysis of the effect of Z on Y

The significance value of the Dividend Policy was $0.5722 > 0.05$. So it can be concluded that there is directly no significant influence of Dividend Policy on Price to Book Value. This research finding can have important implications for investors, financial analysts, and decision-makers. If there is no significant influence of Dividend Policy on Price to Book Value, it means that investors' valuation of a company's equity, as measured by the Price to Book Value ratio, is not highly influenced by the company's dividend decisions.

CONCLUSION

It is known that the direct effect given by the Debt to Asser Ratio on Return on Assets (ROA) is 0.012223. While the indirect effect of Debt to Asser Ratio through Dividend Policy on Price to Book Value is the multiplication between the beta value of Debt to Asser Ratio to Dividend Policy with the beta value of Dividend Policy to Price to Book Value yait: $0.012223 \times 0.013028 = 0.00159$. So the total influence given by the Debt to Asser Ratio on Price to Book Value is a direct influence coupled with an indirect influence, namely: $0.012223 + 0.001590 = 0.013813$. Based on the results of the calculation above, it is known that the value of direct influence is 0.012223 and indirect influence is 0.013813 which means that the value of indirect influence is greater than the value of direct influence, this result shows that indirectly Debt to Asser Ratio through Dividend Policy has a significant influence on Price to Book Value.

It is known that the direct effect of Return on Assets on Dividend Policy is 0.164869. While the indirect effect of Return on Assets through Dividend Policy on Price

to Book Value is the multiplication between the beta value of Return on Assets on Dividend Policy with the beta value of Dividend Policy on Price to Book Value, namely: $0.164869 \times 0.013028 = 0.002147$. So the total influence given by Return on Assets on Price to Book Value is a direct influence coupled with indirect influences, namely: $0.164869 + 0.002147 = 0.167016$. Based on the calculation results above, a direct influence value of 0.164869 and an indirect influence of 0.167016 is obtained which means that the value of indirect influence is greater than the value of direct influence, this result shows that indirectly Return on Assets through Dividend Policy has a significant influence on Price to Book Value.

It is known that the direct influence given by the Asset Structure on the Dividend Policy is -145.6726. While the indirect influence of Asset Structure through Dividend Policy on Price to Book Value is the multiplication between the beta value of Asset Structure on Dividend Policy with the beta value of Dividend Policy on Price to Book Value, namely: $0.001187 \times 0.013028 = 0.000015$. So the total influence given by Debt to Asset Ratio (DAR) on Price to Book Value is a direct influence coupled with indirect influences, namely: $0.001187 + 0.000015 = 0.001202$. Based on the calculation results above, a direct influence value of 0.001187 and an indirect influence of 0.001202 is obtained which means that the value of indirect influence is greater than the value of direct influence, this result shows that indirectly the Asset Structure through Dividend Policy has a significant influence on Price to Book Value.

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