The Significance of a Dividend Policy as an Intervening Variable to Increase the Value of the Company

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Abstract---- The benefits of dividend policy for investors have been widely researched by past researchers, but there is still no one researching dividend ability as an intervening variable. This is important to do because it will be beneficial for investors. Investors will feel benefited from this policy when the dividend has the ability of an intervening variable because this ability will increase the value of the company and ultimately be able to raise the stock price. The purpose of this study was to test the ability of Dividend Policy as an intervening variable that the relationship between Size Firm and DER to the value of the company. This paper using a quantitative approach. The population used is a manufacturing company listed in BEI-taking techniques, sampling using purposive sampling. Through this research is finding the relationship between Size, DER, and DPR to PBV significant and positive, but the relationship between DER to PBV not Significant. Based on statistical analysis using the Sobbel Test is obtained that the dividend policy is not significant to be variable Intervening in this research.

Key words: Intervening Variables, Sobel Test, The Value of The Company, Dividend Policy.

Introduction

There has not been a lot of research done by the previous knowledge of dividend as an intervening variable, however, the arrangement of all components of management for the optimization of the dividend role is crucial to increase the value Company (Setiyono, 2020). Policy payment of a dividend is a signal that very important decisions in an enterprise because this policy can describe the profit and stock price of the company's upcoming (Bambang, 2009). According to the theory of the bird in the hand theory according to Gordon (1959) says that a high dividend can increase the value of the company other than it stated also that shareholders prefer the high dividends because it has a high assurance than capital gains. However, to achieve a high dividend not easy because to raise the dividend then needed the support of several conditions, one of which is the company's debt (Brailsford, 1999)

The larger company will be easier to develop his business directly, which will increase the company's profitability (Bringham, 2001), increasing the value will increase the profitability of a company's stock price and will increase the value of the company (Hartono ,1998), Hidayati, 2010)), while according to Haruman (2008) and Anga (2016) stated that the size of the company's influential not significant against the value of the company.

Increasing the value of the company can be seen from the value of Price to Book Value (PBV), because PBV is the ratio between the share price against the value of her book. If a company has a PBV above 1 (> 1) then the company's share price is higher than the appraised value of his book describing the performance of the company is getting better in the eyes of investors, the higher the PBV then return stock will increase as well as increase the company value (Mahendra, 2012).

Study Jensen et al (1992) supported by Megginson (1997) as well as the goddess of Dewi K (2011) which says debt policy affects negatively dividend policy. Companies with high debt will try to decrease the agency cost of debt by way of reducing the debt. Debt reduction will be carried out with the Fund investment with internal funding sources so that shareholders will answer dividends to finance its investments. Research conducted by Sisca Cristianty Goddess (2008) States that the policy of debt (Debt to Equity) a negative and significant effect against the dividend policy.Besides, according to Jensen (1986) States that the existence of the debt then the management can use the company's operations, thus increasing the value of the company.

Besides research conducted by Fenandar (2011) concluded that the Dividends (DPR) effect significantly and positively against the stock value (PBV), this means the value of the shares is not only influenced by the debt but also by the Dividend (Putri, 2014). In another study conducted by Masulis, 1988 the increase in the value of stocks closely related to stock prices and a decline in debt stock will drop.

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See this mechanism turns out there is a direct link between the debt and the value of the company and the size of the company with the value of the company, besides, there is an indirect

A Review of the Literature

Relationship between debt, the size of the company against the value of the company through dividends. This means that dividends can serve as an intervening variable Sumani (2002:43) mentions that the smaller the company's operating profit gaining ability, then the risk cannot pay the burden resulting from the use of funds will result in the inability of the company provides benefits for holders of common stock. This shows that financial leverage will decrease earnings per share that the company expected, and will ultimately bring down stock prices (corporate values) (Petty, 1991 and Sartono, 1996).

Companies that use an external source of funding (debt) with large numbers will have an impact on increasing the risk that must be borne by the shareholders. Miller and Modigliani (1961) argue that the greater use of debt will be an increasingly greater risk and own capital costs mean increased (Rahman, 2015).

Jensen (1986) States that the existence of the debt can be used to control the usage of free cash flow is excessive by management, thereby avoiding wasted investment (Fama, 2002). The use of debt will increase the value of the company. The value associated with the increase in stock prices and a decline in debt lowers the price of the stock (Masulis, 1988). However, the increase in debt will also pose an increased risk of bankruptcy if it does not balance with the use of prudent debt.

Company size (size) can give you the big picture to the small companies which can be seen through the total accumulated assets, sales, the average level of sales, and average total assets. In General, to obtain a loan or funding, large-scale companies will more easily obtain loans compared with small firms (Pribadi, 2012). According to ismiyanti and Hanfi (2003) mention that the debt has a negative influence on policy towards a policy dividend. Use debt is too high will cause a decrease in dividends that where some of the profits will be allocated as a reserve for paying off the debt.

Miller and Modigliani (1961) argue for the proposition assuming without taxes and perfect market, the market value of the company is not dependent on funding decisions or capital structure but rather determined by the capitalization of profits expected at some level (Haseeb et al., 2019). Jensen (1986) States that the existence of the debt can be used to control excessive by management, therefore, it will increase the company's value.

The size of the company has a different influence on the value of the company (Sari, 2020). If the company has total asset management is great, more generous in applying existing inside the asset. So with the ease of management will be easier to control the company to increase the value of the company (Michell Suhadi, 2006).

Dividend policy tends to pay relatively large amounts of dividends will be able to motivate investors to buy shares of the company. Companies that can pay dividends valued the community as a profitable company (Suharli, 2003). In DPR the higher the value of the company will be getting high anyway because a high level of DPR indicates a promising dividend distribution (Sri, 2011).

Sudiyatno (2010), along with the company's performance as variables that influence directly against the value of the company, also acts as the intervening variables, namely as the mediation of invalid constructs a variable in influencing corporate policy the value of the company. This means that the variables in the invalid constructs company policies in influencing the value of the company through the company's performance.

As for the research of equation is as follows:

$Y = \beta 0 + \beta 1X1 + \beta 2\ X\ 2 + e$ (1)

$Z = \theta 0 + \theta 1\ X1 + \theta 2\ X2 + \theta 3\ Y + e$ (2)

Where:

Y = Dividend Policy

Z = The Value Of The Company

X 1 = Debt Policy

X 2 = The Size Of The Company

e = Variable Bullies

β 0 = constant

β 1-2 = Coefficient for each variable

Methodology

The approach used in this research is quantitative, types of research including explanatory i.e. research that describes and test relationships between variables hypothesized. (Sugiyono (2001:6) and Cooper (1995) l (1995:21)

The data used are derived from the Indonesia stock exchange, including secondary and quantitative data, as obtained indirectly (Indriatoro and Supomo, 1999). The population used are all members of an object or companies listed on the Indonesia stock exchange, the sampling technique used was purposive sampling that is the company that corresponds to the desired criteria (Ghozali,2009), i.e. LQ 45periode 2010-2015 company, a company that issued a report the company continuously in the period 2010-20, so issued dividend in that period. (Algifari, 2003).

Based on these criteria then the companies that become sampling are 10 companies. Before the test is carried out then the hypothesis assumptions such as autocorrelation, multicollinearity, normality, and heteroskedasticity as spoken by the Gujarati (1999)

Hypothesis testing in this study using Path Analysis (path analysis). Path analysis is a technique for analyzing causal relationships that occur on multiple regression-free if the variable affects variables depends not only directly but also indirectly.

Results

Base on Table 1, we faund value maximum, minimum, mean standars deviation:

Table 1: Result of l Statistis Deskriptif

	N	Minimum	Maximum	Mean	Std. Deviation
Der	60	,4100	10,0200	3,505167	3,1567853
Size	60	15,8284	21,8186	18,552995	1,5235655
Dpr	60	7,5300	99,9600	36,270667	19,0373809
Pbv	60	,3300	58,4800	6,300500	12,2688348
Valid N (listwise)	60				

Based on a test of Normality shows that data is normally distributed with a value of Asymp. SIG

(2-tailed) 0.074, the multicollinearity test shows results in Tolerance and VIF by the specified standards. So also, at the test heteroskedastic and autocorrelation test. F test analysis results as shown in Table 2, were a result of t-test results as shown in Table 3 and Table 4:

Table 2: Result of F Test (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	3894,278	3	1298,093	14,578	,000a
Residual	4986,656	56	89,047		
Total	8880,934	59			

a. Predictors: (Constant), dpr, der, size

b. Dependent variable:pbv

Table 3: Result of Test T DPR

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	193,377	39,126		4,942	,000		
	Der	1,097	1,094	,182	1,003	,320	,366	2,734
	Size	-8,675	2,267	-,694	-3,827	,000	,366	2,734

a. Dependent variable: dpr

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Table 4: Result of Test T PBV

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	97,136	27,507		3,531	,001		
	der	2,227	,649	,573	3,431	,001	,359	2,783
	size	-5,761	1,495	-,715	-3,854	,000	,291	3,437
	dpr	,227	,078	,352	2,915	,004	,686	1,458

a. Dependent Variable: pbv

Table 5: Direct influence (PL), the influence of indirect (PTL) and influence total (PT)

Variable	DER			Size			DPR		
	PL	PTL	PT	PL	PTL	PT	PL	PTL	PT
DPR	0,182			0,694					
PBV	0,573	0,64	0,637	1,213	0,244	0,959	0,352		0,352

Based on the results of the analysis in table 2 we found a relationship simultaneous between DPR, DER, and size has significant to PBV. Based on Table 3 we found a relationship between DER has a significant influence on DPR but Size otherwise.

In Table 4 we found the relationship between DPR, DER, and SIZE has a significant influence on PBV. Based on the results of the analysis in 5 an indirect influence on the company's dividend policy DER of 0.064 is smaller than the coefficient of relationship directly 0.573 means it can be inferred that the dividend policy as between the variable hasn't been able to mediate the relationship between debt policy and the value of the company.

From the results of the calculation of test-t obtained a value t calculate registration (1.003) with the value significance of 0.320. demonstrate the absence of significant influence, so the DER has no effect against the positive to DPR. While in DER to PBV, test-t retrieved the value t calculate registration (3.431) shows that there is no significant influence, so the DER does not affect negatively to PBV. Companies with high debt levels tend to have a low cost of the agency. The essence of debt would make the controls and financial processes conducted by the managers and shareholders are increasingly high. Debt also makes shareholders reduce dependence on the initiation of policy dividends corporations. Shareholder debt agreement would apply to protect their interests. The higher the leverage will cause the initiation of policy dividends declined, so did the opposite the lower the leverage employed by the company because of the depletion of the debt that is paid then the profit obtained is increasingly on the rise.

On the results of test calculations-t DPR to PBV retrieved value t calculate registration (2.915) with the value significance of 0.004. shows the existence of significant influence, a positive effect DPR to PBV., while DER does not affect PBV. also, DER any effect significant against the House. Then the DPR not able to mediate DER against PBV

Company with great assets and a large size will be easier to get a quality manager, easier also get funding in the framework of the development of his business (the goddess, 2012), then large scale companies will also get more profit from its business development is getting bigger, with the profits of the companies on a large scale will be able to obtain the value of a great profitability as the size of a large dividend policy anyway and this can strengthen the company's capital structure (Sriyono, et al,2019). This is in line with the results of this study which showed that in companies having large size than a significant and positive effect toward dividend (Chang and Rhee, 1990 and 2002 Sudarsi)

This research is inconsistent with Transworld media (2008) which claimed that firm size (the size of the company) do not affect significant dividend. Large-scale companies had a great asset anyway, that is what is causing large-scale companies will more easily get loans from the bank by the Rose of Sharon (2015) the larger the size of a company then the company considered the easier it is to get the source of funding for the company's operations. Then the Manager will be increasingly easy to do debt, which at some point debt too excess will lower the impact on the financial performance of the decrease in the value of the company.

The influence of directly retrieved from the beta value of the size of the company against the PBV, whereas the indirect influence of the variable size of the company against PBV through ROE is obtained by multiplying the company Size influence against ROE by ROE's influence against PBV as follows:

A direct influence of the size of the company against PBV = 0.715

Indirect influence through the DPR = 0.694 x 0.352 = 0.244

Total influence = 0.715 + 0.244 = 0.959

The influence of 0.244 significant mediation or not, are tested with the Sobel test as shown in table 5.

Calculation of the Sobel test through the standard error, the calculation of the standard error of the coefficient of indirect effect (Sp2p3)

Sab = $\sqrt{b2\,Sa2 + a2\,Sb2 + Sa2\,Sb2}$ (3)

Sab = 0,868

Based on the results of the Sp2p3 then can be calculated value of t statistics influence mediation with the following formula:

t = $\frac{a.b}{Sab}$ = $\frac{8{,}675\ x\ 0{,}227}{0{,}868}$ = 0,2268

Therefore, the value t calculates = 0.2268 smaller than t table with significance level 0,05 that is of 2.00, then it can be inferred that the coefficient insignificant 0.244 mediation which means DPR not able to mediate the influence of the size of the company against PBV

Conclusions

Calculation based on the Sobel test turned out the DPR was not significant as an intervening variable, which means that the DPR has not been able to mediate among the variable size of the companies against reference the value of the company as well as the relationship of the company with the highest size corporate.

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