

Firm value model from the perspective of firm profitability and dividend-paying behavior with dividend payout as a mediator

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Abstract

This study aims to analyze and explain the firm value model from the perspective of a firm's profitability and dividend-paying behavior with dividend payout as a mediator. The population used is the stock in the LQ45 Index for the 2017-2019 period. The sample was determined using the judgment sampling type purposive sampling method to obtain 26 companies. The analytical method used is Partial Least Square (PLS). The study results show that a firm's profitability can increase dividend payout, but firm's profitability is not able to increase the firm's value. Dividend-paying behavior does not affect dividend payout, but the behavior of paying dividends can increase the company's value. Dividend payout can increase the value of the company. On the other hand, dividend payout cannot mediate firm's profitability to firm value, but on the contrary, dividend payout can mediate the behavior of dividend payout to firm value.

Keywords: *Dividend payout, Dividend paying behavior, Firm value, Firm's profitability, Indonesia Stock Exchange*

JEL Classification: G10, G11, G12

INTRODUCTION

The company's value can be viewed from various perspectives, including stock prices, internal and external performance, Good Corporate Governance (GCG) performance, and Corporate Social Responsibility (CSR) performance (Hidayah, 2014, Sugianto et al., 2020; Subanidja et al., 2016; Ding et al., 2016). Efforts to increase the company's value are the company's main goal.

An increase in the company's value will increase the owner's welfare, which is illustrated by an increase in dividends received by investors. According to Sheikh & Banafa (2014), in the practical world, the behavior of dividend distribution is a policy that must consider two interests, namely, the interests of managers and investors. For companies, distributing dividends reduces the source of funds for operational and

investment activities. On the other hand, Lintner (1962), Gordon (1963), and Bhattacharya (1979) concluded that investors prefer high dividend income. For investors, an increase in dividend payout will increase the share price, which will also impact the company's value. This condition is known as Relevant Theory.

The company's value gets a positive sentiment from firm's profitability and dividend payout, so the stock price will increase because the company shows a positive signal to pay dividends. It is confirmed by research by Indriyani (2017), Sabrin et al. (2016), Sucuahi & Cambarihan (2016), and Suwardika & Mustanda (2017), which state that profitability affects firm value.

For companies, the dividend payout amount depends on the profit obtained by the company. Studies by Alexander et al. (2018), Cheng et al. (2016), Michiels et al. (2017), and Thakur et al. (2021) found that firm's profitability is a determining factor of dividend payout. In addition, the dividend payout amount is also determined by the behavior of the dividend payout (Sarwar et al. 2018).

Table 1. Dividend payout of companies in the LQ-45 Index for the 2017-2019 period

No	Code	2017	2018	2019
1	ADRO	3,096,945,584,000	3,943,786,900,000	4,074,309,081,360
2	AKRA	600,021,341,000	937.340.820.000	722,645,086,000
3	ANTM	0	47,777,374,000	306,048,761,000
4	ASII	116,947,824,000	11.235,000,000,000	11.235,000,000,000
5	BSDE	224,314,742,232	67,813,057,500	110.113.140.796
6	EXCL	0	0	0
7	GGRM	5,048,701,000,000	5,015,990,000,000	5,015,990,000,000
8	HMSP	12,527,457,000,000	12,480,930,000,000	13,632,478,000,000
9	ICBP	1,942,822,000,000	2,689,873,000,000	1,682,890,000,000
10	INCO	0	0	0
11	INDF	2,734,794,000,000	3,484,931,000,000	1,974,386,000,000
12	INTP	3,419,864,000,000	2,576,862,000,000	2,024,677,000,000
13	JSMR	566,813,266,000	440.064.862.000	330,452,000,000
14	KLBF	1,047,790,983,485	1,190,617,265,850	1,252,864,180,779
15	LPPF	1,414,023,000,000	1,334,948,000,000	933,600,000,000
16	MNCN	592,053,000,000	209,235,000,000	214.141 million
17	PGAS	1,861,578,485,184	791.028.082.660	1,352,210,484,479
18	PTBA	611,822,000,000	3,391,860,000,000	3,841,441,000,000
19	PTPP	307.010.840.936	350,885,493,053	76,669,370,428
20	SCMA	848,039,309,000	804,175,207,000	822,043,986,000
21	SMGR	1,824,270,760,000	827,110,000,000	1,244,948,000,000
22	SRIL	56,201,687,536	173.665.376.220	58,839.563,338
23	UNTR	2,544,232,000,000	3,883,845,000,000	4,900,419,000,000
24	UNVR	6,638,100,000,000	6,981,450,000,000	9,191,962,000,000
25	WIKA	344,653,064,000	344,653,064,000	512,997,641,000
26	WSKT	640,933,687,315	776,342,383,468	990,709,507,966
Average		1,884,976,522,103	2,460.776.303.298	2,557,762,877,044

Source: Indonesia Stock Exchange

These data show that the dividend distribution of each stock in LQ45 for the 2017-2019 period varies. The variation in the distribution of dividends shows that it could be influenced by firm's profitability factors, dividend-paying behavior, etc.

The theoretical gap is to identify the distribution of dividends by companies with the highest liquidity (LQ-45) in Indonesia, which can give a positive or negative signal for firm value. This research aims to examine the firm value model's effect from the perspective of firm's profitability and dividend-paying behavior with dividend policy as

a mediation variable in companies listed on LQ45 on the Indonesia Stock Exchange for the 2017-2019 period.

The novelty of this research stated that companies with high liquidity (companies in LQ-45) firm's profitability is not able to increase firm value, and dividend payout is not able to mediate firm profitability to firm value. Dividend-paying behavior does not affect dividend payout. Thus, this confirms that investors ignore the company's profitability and dividend-paying behavior. However, on the contrary, investors focus more on the consistency of companies with high liquidity (companies in LQ-45) in paying dividends.

METHODS

The relationship between variables in this study was built from several studies on firm value in relation to dividends. Denis and Osobov (2008) explore the determinants of dividend policy data from six countries (Germany, the UK, the US, Japan, France, and Canada). The study results show that the company's growth, size, and profitability mainly influence dividend policy decisions. On the other hand, research by Sucuahi & Cambarihan (2016) using indicators of common shares, market price, and liquidating value of the preferred stock, states that the profitability variable can affect the projected firm's value using Tobin's Q. This means that increasing company performance can create value for the company. The results indicate that a good firm's value attracts investors and other parties interested in taking part in the company. Meanwhile, Avani (2019), in his research on the Indian Bombay Stock Exchange, stated that there is a relationship between dividend-paying behavior and stock prices on company growth and dividend payout.

Meanwhile, investors in the capital market expect a return in the form of dividends. This is in line with the theory of Lintner (1962), Gordon (1963), and Bhattacharya (1979) explained that investors prefer high dividend income. For investors, income in the form of dividends received is analogous to that of a bird in the hand being better than a bird in the bush. Finally, Husna & Satria (2019) states that dividend policy through the dividend payout ratio indicator has a positive and significant effect on firm value through the price book value indicator and Tobin's Q. From this study, it can be concluded that the company's performance and operations will be more valuable if the proportion of shareholders in receiving dividends is greater.

The population in this study are companies listed in LQ45, which are listed on the Indonesia Stock Exchange from 2017 to 2019. The sample in this study was determined using a judgment sampling type purposive sampling method with the criteria of consecutive companies from 2017 to 2019. 2019 is in the LQ45 Index. With these criteria, the research sample obtained is 26 companies.

Data analysis in this study uses inferential statistical analysis in the form of component-based or variance-based SEM (Structural Equation Modeling) causality analysis known as Partial Least Square (PLS).

The following shows the operational variables of this research:

Table 2. Operational research variables

Variable	Formula
Firm Profitability (FP)	$ROA = \frac{NetIncome_t}{TotalAssets_t}$
	$EPS = \frac{Profit - Preferred Dividens}{Weighted Average Common Shared}$
	EBITDA = Operasional Profit + Amortization cost + Cost
Dividend Paying Behaviour (DPB)	LnTA= Natural Log of Total Asset
	$TX = \frac{Income Tax}{Total Assets Ratio}$
	$LV = \frac{Total Debt}{Total Assets Ratio}$
	RE = Net income – Dividen Payout
	$MR = \frac{(Recent Stock Price - IPO Price)}{IPO Price}$
Dividend Payout (DP)	$DS = \frac{Dividen}{Sales}$
	$DA = \frac{Dividen}{Assets}$
	$DM = \frac{Deviden}{MVE}$
	$CF = \frac{EBIT+Depresiasi}{Total Aset}$
	$RR = \sqrt{\frac{\sum_{i=1}^n \{R_{ij} - E(R_i)\}^2}{N}}$
	$SR = \frac{Stock Price t - Stock Price t-1}{Stock Price t-1}$
Firm Value (FV)	$PBV = \frac{Stock Price}{Book Value}$
	$PER = \frac{Stock Price}{EPS}$
	$TBQ = \frac{Total Market Value + Total Book Value}{Total Book Value of Asset}$
	VSP = Standard Deviation of Stock Price

One of the performances of a company can be seen from the company's ability to obtain profitability (profit). The company's profits will usually be used as capital for reinvestment and as dividends to be distributed.

The dividend is the distribution of profits to shareholders or investors based on the number of shares owned, annual income, or company sales. This dividend distribution will certainly reduce retained earnings and cash available to the company. Still, distributing these profits to investors is an obligation and the company's main goal.

The dividend ratio payment is the amount the company must pay to investors or shareholders. Li (2017), related to growth options, dividend payment ratio, and stock returns stated that cashflows, risk, and stock returns could measure dividend payment

ratio. According to Alexander et al. (2018), dividend payout is dividends per sales, asset per asset, and MVE.

Dividends are part of the main purpose of these companies; in this case, the payment of dividends as profit earned and must be distributed to investors has determining factors that affect the dividend payout. One of them is the firm's profitability variable; according to Michiels et al. (2017) that the projected profitability of firms with Earnings Before Interest Tax Depreciation and Amortization (EBITDA) or commonly known as earnings before interest, and taxes, or operating income, and EBITDA divided with the total of assets is a determining factor of Dividend payout. Yu (2013) found that the determinant of a firm's profitability is one of the determining factors and positively affects dividend payout. Cheng et al. (2016) stated that a firm's profitability is projected with EBITDA and EPS as determinants that positively affect it. So, firm's profitability is one of the determinants of dividend payout.

Furthermore, in this study, another determining factor that affects dividend payout is dividend-paying behavior as a proportion of the behavior of company managers, which can be measured empirically. As found by (Sarwar et al., 2018) suggests that Dividend paying behavior can be projected with the proportion of financial experts on board, LnTA, Tax, Leverage, RE (retained earnings), and MBV (Market to Book Value). Market Return is a determining factor and positively relates to Dividend payout.

Then, the Dividend Ratio Payment is an indicator that can be used to see the company's value (Husna & Satria, 2019). They stated that the dividend policy reflected through the DPR has a positive and significant influence on the company's value, which is reflected through Price Book Value and Tobin's Q. The greater the proportion of shareholders to receive dividends, the better the company's performance and operations will make the company more profitable.

Therefore, these factors will later affect the dividends that will be paid to investors. By using a sample of companies listed on the LQ45 Index on the Indonesia Stock Exchange during the period 2013-2015, the research will look at the influence of the determining factors in the form of firm's profitability and dividend-paying behavior on dividend payout, then look at the effect of dividend payout on firm value. The picture of the research framework is as follows.

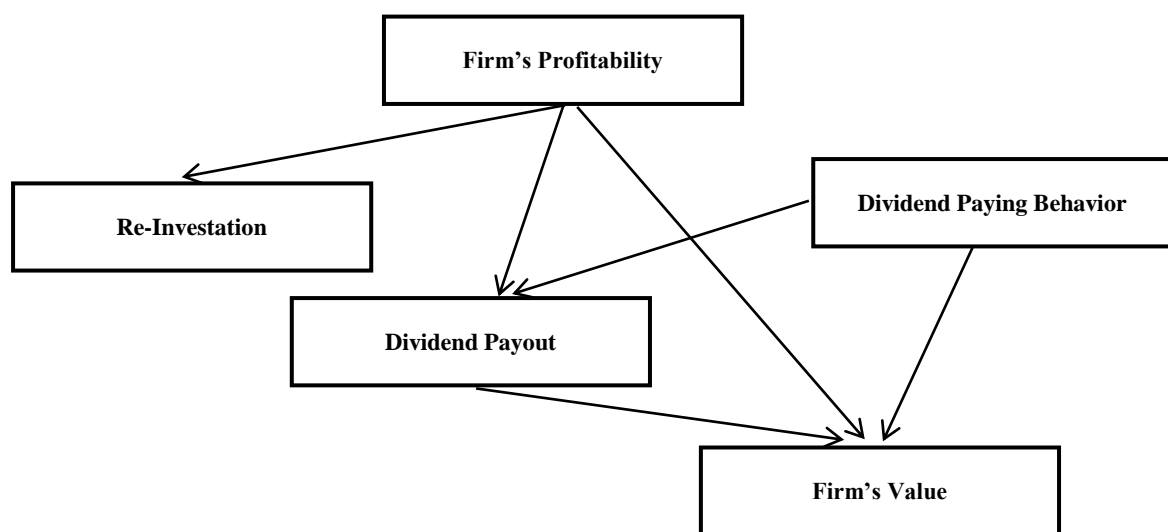


Figure 1. Research Framework

RESULTS AND DISCUSSION

The following shows the average indicators of each variable for LQ45 companies from 2017 to 2019. The source of this average value is obtained from the calculation of each company's financial statements that is part of LQ45 from 2017 to 2019.

Table 3. Indicator average growth table

Variable	Indicator	2017	2018	2019
Firm's Profitability (FP)	ROA	0,114	0,107	0,094
	EPS	390,691	530,789	497,118
	EBITDA	9.759.829.599.449,380	11.109.935.437.217,400	11.408.521.620.488,600
Dividend Paying Behavior (DPB)	LV	0,466	0,457	0,517
	LnTA	31,208	31,358	31,406
	TX	0,077	0,03639	0,032
	RE	2.325.934.317.836,120	3.114.841.321.278	1.975.482.528.492
	MR	0,479	1,611	1,373
Dividend Payout (DP)	DS	0,060	0,058	0,057
	DA	0,068	0,067	0,064
	DM	0,050	0,031	0,033
	CF	0,295	0,275	0,270
	SR	-0,336	0,697	0,017
	RR	0,000	0,799	0,652
Firm Value (FV)	PBV	2,166	4,318	4,330
	PER	12375,673	18,662	293,288
	TBQ	1,942	2,724	2,386
	VSP	0,000	3087,065	2444,619

Based on Table 3, it can be said that in the firm's profitability variable, the average EBITDA indicator has increased in value from the period 2017 to 2019. Meanwhile, the ROA and EPS indicators have an average value that fluctuates up and down. This means that the profitability indicators of companies in LQ45 are dominantly down. In the dividend-paying behavior variable, the LnTA indicator has increased, while the LV, TX, RE, and MR indicators fluctuated up and down from 2017 to 2019. This shows that the indicator of dividend-paying behavior is dominantly down. On the average value of the dividend payout indicator, the DS, DA, and CF indicators decreased.

On the other hand, the DM, SR, and RR indicators have fluctuating average values from 2017 to 2019. This shows that the dividend payout indicator is relatively the same. Finally, the average value of the PBV indicator has increased for the firm value variable, while the PER, TBQ, and VSP indicators fluctuated up and down in the 2017 to 2019 period. This shows that the firm value indicator is fluctuating. Overall, this condition shows that companies in LQ45 have varying performance volatility.

Inferential statistical analysis results

In this study, the indicators of each variable have reflective indicators. The following are the results of the initial model construction:

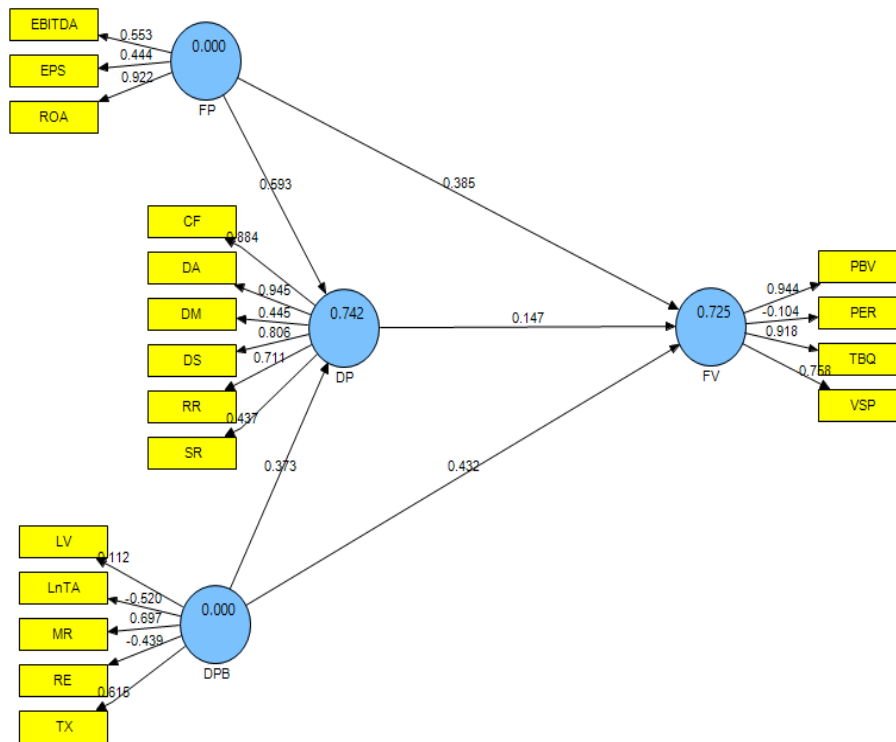


Figure 2. Initial model result

This research is developing, so the loading factor scale used is 0.5. The analysis of this research begins with building a model and performing calculations on the model. In the calculation of the initial model, several indicators have a loading factor below 0.5. So that these indicators are removed from the model, a second model is built, which contains indicators with a loading factor above 0.5. The selection of the 0.5 standards was made because the relationship between variables and the built indicators was new.

Based on this explanation, in Figure 2, the firm's profitability variable (FP) indicator with a loading factor value below 0.5 is 0.443578. Meanwhile, on the dividend-paying behavior variable (DPB) 3 indicators have a loading factor value below 0.5, namely the Leverage (LV) indicator of 0.112051, the Ln Of Total Asset (LnTA) indicator of -0.519531 and the Retained Earning (RE) indicator of -0.519531. Furthermore, in the Dividend Payment (DP) variable, there are 2 indicators, namely Dividend of MVE (DM) and Stock Return (SR) which have an outer loading value below 0.5, which are 0.445029 and 0.436840, respectively. Then, in the Firm Value variable, there is 1 indicator with an outer loading value below 0.5, the Price Earning Share (PES) indicator of -0.104159.

Based on these results, indicators that have an outer loading value below 0.5 are excluded from the study. Furthermore, the calculation of the second model is carried out, and the results can be seen in Figure 3.

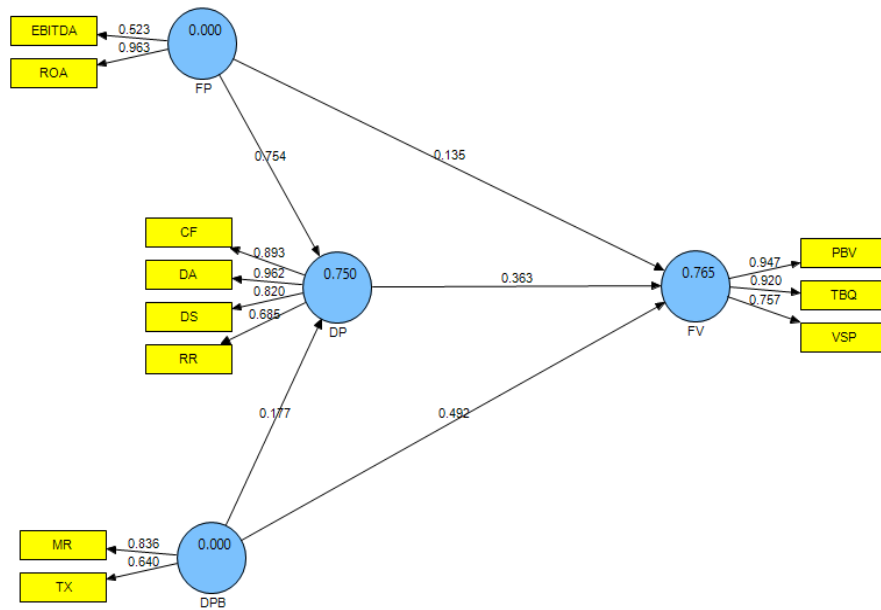


Figure 3. Final model calculation results

Table 4. shows the Average Variance Extracted and Composite Reliability. Based on Table 4, it can be concluded that the indicators of each variable are reliable and valid, reflecting their respective variables.

Table 4. AVE and Composite Reliability

	AVE	Composite Reliability	Information
DP	0.715811	0.908486	Meet the criteria
DPB	0.554150	0.709541	Meet the criteria
FP	0.600093	0.733974	Meet the criteria
FV	0.772438	0.909831	Meet the criteria

The stages of testing the structural model (inner model) are seen through the R-square value, which results from the goodness-fit model test. The R-square value can be seen in the R-square table from the results of the running calculated model. The predictive relevance (Q2) value is used in testing the goodness of fit structural model against the inner model. According to Solimun & Rinaldo (2009), the magnitude of Q2 has a value range of $0 < Q2 < 1$. The closer to 1 means the better the model. The following table shows R Square from this research.

Table 5. R-Square

	R Square
DP	0.749841
FV	0.764705

The known R-Square value of each variable is then calculated and formulated to determine the predictive-relevance value as follows:

$$Q2 = 1 - (1 - R12) (1 - R22)$$

$$Q2 = 1 - (1 - 0.7498412) (1 - 0.7647052)$$

$$Q2 = 1 - 0.05886 = 0.94113$$

The calculation of the predictive-relevance value of 0.941 or 94.1% shows that the data diversity that the model can explain is 94.1%. The remaining 5.9% is explained by other variables that have not been contained in the model and errors. These results can be interpreted that this research model is feasible because it has relevant predictive value, so it can be used for hypothesis testing. This means that all indicators and variables in the research model are appropriate models for predicting the model.

Table 6. Total Effects (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
DP -> FV	0.362543	0.324042	0.154667	0.154667	2.344025
DPB -> DP	0.176627	0.250433	0.149747	0.149747	1.179502
DPB -> FV	0.556495	0.621650	0.219424	0.219424	2.536166
FP -> DP	0.754079	0.677527	0.142207	0.142207	5.302695
FP -> FV	0.407970	0.293071	0.242377	0.242377	1.683201

Based on Table 6, the influence between variables and the level of significance of each can be seen through the original sample estimate column and the t statistics column. The t-stat value which is above the value of 1.96, shows a significant influence on each of Ghozali's (2006) hypotheses. The description is explained as follows:

Firm’s profitability has an effect on dividend payout

Firm’s profitability projected by Earning Before Interest, Tax, Depreciation And Amortization (EBITDA) and Return On Assets (ROA) has a positive and significant effect of 0.754079 at 5.302695 on dividend payout which is reflected by Cashflow (CF), Dividend Assets (DA), Dividend Sales (DS) and Risk Of Return (RR). This means that firm’s profitability in the form of an increase in the company's gross profit and returns on assets will increase the dividend payout projected by cash flows, asset dividends, sales dividends, and return risk. This study supports the theory that dividends are a function of profitability. So companies that earn stable profits should pay dividends.

This study also narrows the research gap between dividend payout and firm profitability. This also shows that the higher the profitability obtained by companies in the LQ-45 group, the higher the chances of increasing the number and dividend payout. This confirms that companies with high liquidity in emerging markets demand an increase in profitability so that there will be an increase in the amount and dividend payout. The findings of this study support the research of Amidu & Abor (2006) and Denis & Osobov (2008) but are contrary to the analysis of Ahmed & Javid (2012).

Firm’s profitability does not affect firm’s value

Firm’s profitability projected by Earning Before Interest, Tax, Depreciation And Amortization (EBITDA), and Return On Assets (ROA) do not have a significant effect on firm value as described by Price Book Value (PBV), Tobins'Q (TBQ), and Volatility Stock Price (VSP). This indicates that the increase in firm’s profitability in the form of gross profit and return on assets does not affect the value of the company in the form of the ratio of price to book value, Tobins'Q (combination value of tangible assets and intangible assets), and stock price volatility (up or down movement of a stock).

These findings mean that the increase in profitability obtained by companies in the LQ-45 group cannot signal the company's value positively. This study resulted in a widening research gap between firm’s profitability and firm value. This finding indicates that investors in emerging markets view the value of the company in the LQ-45 group, not from the profitability obtained by the company. However, investors view

the value of the company through a side other than profitability. The findings of this study contradict the research of Sabrin et al. (2016) and Sucuahi & Cambarian (2016) as well as Suwardika & Mustanda (2017).

Dividend-paying behavior does not affect dividend payout

Dividend-paying behavior, as reflected by Market Return (MR) and Tax Ratio (TX) has no significant effect on dividend payout, which is described by Cashflow (CF), Dividend Asset (DA), Dividend Sales (DS), and Risk Of Return (RR). This means that the increase in dividend-paying behavior in the form of market returns and the ratio of tax revenue to total assets does not affect the dividend payout projected by cash flows, asset dividends, sales dividends, and risk of return. This indicates that investors in emerging markets do not pay attention to the behavior of companies in the LQ-45 group in paying dividends. On the other hand, investors are more focused on the consistency of companies with high liquidity (blue chips) in paying dividends.

This finding underscores that investors *emerging markets* pay more attention to the consistency of dividend payout and an increase in the number of dividends paid. This finding provides new findings in the scope of dividend payout as it widens the research gap. This study supports the findings by Khan & Shamim (2017). However, contrary to research conducted by Avani (2019)

Dividend paying behavior affects firm value

Dividend-paying behavior as reflected by Market Return (MR) and Tax Ratio (TX) has a positive effect of 0.556495 and is significant at 2.536166 on Firm Value as reflected by Price Book Value, Tobins'Q and Volatility Stock Price. This indicates that an increase in dividend-paying behavior in the form of Market Returns and the Ratio of Tax Income to Total Assets is able to increase firm value in the form of price-to-book value ratios, Tobins'Q, and Stock Price Volatility. The findings of this study indicate that in emerging markets, dividend-paying behavior will increase firm value.

This signals that companies with high liquidity are competing to improve their dividend-paying behavior to increase the company's value in the eyes of investors. Therefore, this finding narrows the research gap that appears between dividend-paying behavior and firm value. These findings support the theory put forward by Gordon (1963), namely the theory of certainty/ time value of money, which states that investors prefer to obtain dividends at this time rather than waiting for capital gains in the future whose value is uncertain.

Dividend payout affects firm's value

Dividend Payout which is represented by *Cashflow* (CF), Dividend Asset (DA), Dividend Sales (DS), and Risk Of Return (RR), has a positive effect of 0.362543 and is significant at 2.344025 on firm value as reflected by Price Book Value (PBV), Tobins'Q (TBQ) and Volatility Stock Price (VSP). This means that the increase in dividend payout projected by cash flows, asset dividends, sales dividends, and risk of return can increase firm value by the price to book value, Tobins'Q, and Stock Price Volatility ratio. These findings strengthen the dividend relevance theory, which states that the higher the dividends distributed, the more interested investors will be in investing. This study narrows the research gap that appears between the effect of dividend payout and firm value.

In addition, high dividends can indicate that companies in the LQ-45 group still pay attention to the interests of investors to increase their value. The findings of this study also confirm the theory that birds in the hand are better than birds in the bush. The findings of this study support the research conducted by Kim et al. (2020) and (Rehman

(2016). However, contrary to research conducted by Lumapow & Tumiwa (2017).

Meanwhile, based on the results of the mediation test of firm’s profitability on firm value and behavior of dividend payout through dividend payout using Sobel test analysis, the t-count, t-table, and p-value values can be shown in Table 7.

Table 7. Mediation test of firm’s profitability against firm’s value through dividend payout

Variable	t-count	t-table	p-value	Information
Firm’s Profitability (FP)	1.374	1.99	0.169	Rejected
Dividend Paying Behavior	2,167	1.99	0.03	Received

The firm’s profitability does not affect firm’s value through dividend payout

Based on table 7. it can be seen that firm’s profitability has a p-value of 0.169 and is greater than 0.05. Thus it can be concluded that dividend payout cannot mediate firm’s profitability on the company's value. The effect of increasing firm’s profitability as indicated by EBITDA and ROA on the increase in firm value described by PBV, Tobins' Q and VSP cannot be mediated by an increase in dividend payout described by CF, DA, DS and RR.

Dividend-paying behavior affects firm’s value through dividend payout

On the other hand, dividend-paying behavior has a p-value of 0,03 and is smaller than 5%. Thus, it can be concluded that dividend payout can mediate the behavior of dividend payout on firm value. Thus, the effect of an increase in dividend paying behavior caused by an increase in MR and TX on the increase in firm value described by PBV, Tobins' Q and VSP was able to mediate by an increase in dividend payout described by CF, DA, DS and RR.

Furthermore, the following is a test of the mediation type of the influence of dividend-paying behavior on a firm’s value mediated by dividend payout, as shown in Figure 4.

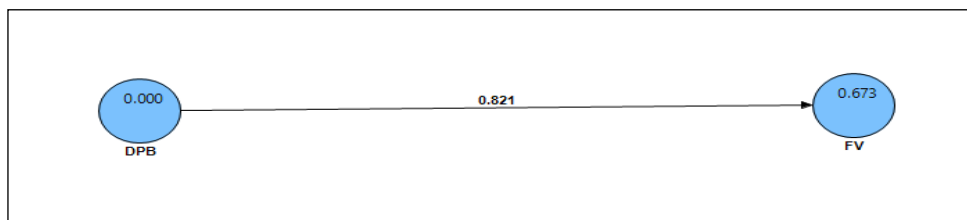


Figure 4. Result of calculate effect of DPB to FV direct effect

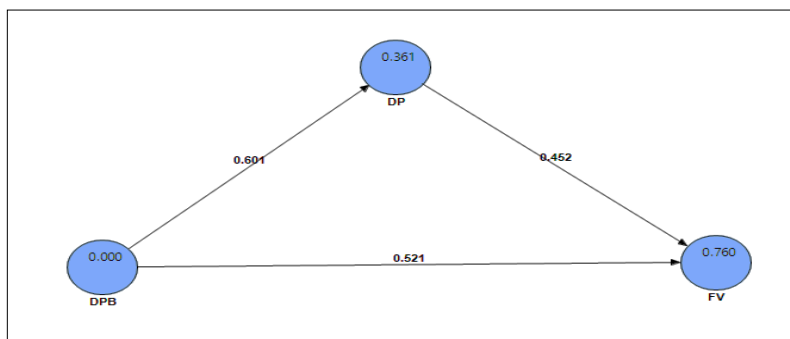


Figure 5. Calculation results of DP mediation on the effect of DPB on FV indirect effect

Meanwhile, to find out the type of mediation that occurred for the second mediation can be seen in Table 6. namely the value of the direct and indirect influence

of DPB on FV with DP mediation. The behavior of dividend payout on firm value has a direct effect of 0.821, while the behavior of dividend payout on firm value has an indirect (mediated) effect of 0.521. This means that there is a decrease in the influence of conditions after mediation, with a significant t-statistic value; thus, it can be concluded that the effect of dividend-paying behavior on firm's value mediated by dividend payout occurs in partial mediation.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The firm's profitability can increase dividend payout, but firm's profitability is not able to increase the firm's value. The finding of firm's profitability has a significant positive effect on dividend payout, indicating that dividend payout can be obtained from firm's profitability with gross profit and return on assets. Thus, efforts to increase dividend payout can be made by increasing the firm's profitability by increasing gross profit and returns on assets.

Dividend-paying behavior does not affect dividend payout, but dividend-paying behavior can increase firm value. The finding of dividend-paying behavior that has a positive and significant effect on firm value implies that dividend-paying behavior gives a positive signal to firm value. Thus, one of the efforts to increase firm value in LQ-45 Company can use dividend-paying behavior.

Dividend payout can increase the value of the company. On the other hand, dividend payouts cannot mediate the firm's profitability to firm value. Still, on the contrary, dividend payouts can mediate the behavior of dividend payout to firm value. The research findings that dividend payout has a positive and significant effect on firm value in LQ-45 companies confirm that dividend payout provides a positive signal on firm value in LQ-45 companies. Thus, one of the efforts to increase firm value in LQ-45 Company can use a dividend payout policy.

Recommendations

The government can maintain economic stability to create conducive conditions for capital market players. Such a conducive situation includes the creation of state security stability, regulations that do not burden business actors and investors, and tax stimulus that stimulates investment which will move the business world to obtain profitability, increasing dividend payout and firm's value.

The research findings show that the behavior of dividend payout and dividend payout positively affects firm value. Therefore, companies in LQ-45 can improve their dividend-paying behavior through market returns and tax ratios. Companies can also increase dividend payout in the form of cash flow, dividend distribution per asset, dividend distribution per sale, and risk of return.

This study provides an opportunity for further research to emerge. Opportunities for further research are: first, to enrich the theoretical framework. Second, future research can classify the industry of the companies listed in LQ-45. Second, the next research can examine other variables related to investment in the capital market, including investment environment variables, investment behavior, or investment impact.

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