THE EFFECT OF FINANCIAL PERFORMANCE ON CORPORATE VALUE WITH DIVIDEND POLICY AS MODERATING VARIABLES IN MANUFACTURING COMPANIES IN INDONESIA STOCK EXCHANGE

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Abstract: This study aims to determine and analyse the Effect of Financial Performance on Firm Value with Dividend Policy as a Moderating Variable in Manufacturing Companies on the Indonesia Stock Exchange. The type of this research is causal associative. The population of this research is manufacturing companies listed on the Indonesia Stock Exchange from 2008 to 2017. The sample selection is done by purposive sampling technique, so the number of samples used is 200 sample data. The data analysis method uses path diagram and Goodness of Fit The results of the study show that profitability, liquidity, leverage and activity ratios have a positive and significant effect on firm value while manufacturing companies listed on the Indonesia stock exchange. Dividend policy is not able to moderate the relationship between profitability, liquidity, leverage and the ratio of activity to firm value at the company manufacturers listed on the Indonesia stock exchange

Keywords: Profitability, Liquidity, Leverage, Activity Ratio, Firm Value, Dividend Policy.

1. Introduction

The development of a company for greater achievement makes the company must use the right strategy, especially in decision making. Therefore, management is expected to be able to take appropriate actions so that the company can survive with high profits and achieve prosperity. Company success can be measured based on the company's ability is reflected in its management performance. One of the parameters of company performance is often used is profit. Profit can be defined in two ways. Profit in economics is defined as an increase in the wealth of an investor as a result of capital investors, after deducting the costs associated with the investment (including, opportunity costs). It is undeniable that profit growth cannot be separated from the company's financial performance. One of the most commonly used financial analysis tools is financial ratios. Financial ratios are comparisons of the figures contained in the balance sheet and income statement. Comparison between one estimate with another estimate must be interconnected so that the results can be interpreted to determine the financial condition and performance of the company either, then the results of the calculation of financial ratios must be compared with previous years or with industry averages.

Firm value can provide maximum shareholder prosperity if the share price rises. The higher the share price of a company, the higher the wealth of the shareholders. The share price of each company is not the same, the price of each

share is different. The stock price is a reflection of the firm value. Every company that issues shares is very concerned about the market price of its shares. A share price that is too low means that the company's performance is not good (Sindu, 2012). However, if the stock price is too high, it will reduce the ability of investors to buy it. A share price that is too high can make it difficult for the stock to increase even higher.

Profitability is very important in maintaining the company's long-term sustainability, because profitability shows whether the company has good prospects in the future. This is what requires every company to always strive to increase profitability. The higher the level of profitability of a company, the survival of the business entity will be more guaranteed. Liquidity is the ability of a company to fulfill its short-term obligations using its current assets. Leverage is a ratio used to measure the extent to which a company's assets are financed with debt where the debt to equity ratio is greater, it will be good for profit growth, otherwise the lower the debt to equity ratio, the higher the level of funding provided by the owner and the greater the security limit for the borrower if loss or depreciation of the value of assets and will affect the firm value. In addition to financial ratios, the level of firm value can also be seen from other factors such as dividend policy, dividend policy, used by researchers as a moderating variable that will strengthen or weaken the relationship between the independent variable which is the growth of financial ratios with the dependent variable that is, firm value. Dividend policy is a decision whether profits derived by the company will be distributed to shareholders as dividends or will be retained in the form of retained earnings for investment financing in the future. Several studies on company value have been carried out in Indonesia. Rudangga and Sudiarta (2016) and Hidayah (2015) show that leverage and profitability have a positive effect on firm value. Whereas research conducted by Sari and Abundanti (2013) shows that leverage has a negative effect on firm value. Based on the description and phenomena that have been stated above and the inconsistency of the results of previous research, the authors are interested in conducting further research with the title "The Effect of Financial Performance on Firm Value with Dividend Policy as a Moderating Variable in Manufacturing Companies on the Indonesia Stock Exchange."

2. Literature Review

Signalling Theory

According to Brigham and Houston (2011) Signal is an action taken by the management of a company giving instructions to investors about how management assesses the company's prospects. Signal theory reduces the occurrence of asymmetry where managers have different information about the company's prospects from investors to symmetrical information where investors and company managers have the same information about the prospects of a company

2.1 Firm Value

Firm value is the investor's perception of the company's success rate which is closely related to its share price (Sujoko and Soebiantoro, 2007). High stock prices will increase the firm value. High firm value also increases market confidence in the company's performance in the present and in the future. The stock

price used generally refers to the closing price (closing price) and is the price that occurs when the stock is traded on the market (Fakhruddin and Hadianto, 2001).

2.2 Profitability

According to Kasmir (2010) profitability is a ratio to assess the ability of companies in seeking profit. The point is the use of this ratio shows the efficiency of the company. Profitability ratios describe a company's ability to increase its profits through all available capabilities and sources and it is known to measure the level of business efficiency and profits achieved by the bank.

2.3 Liquidity

According to Kasmir (2010) liquidity is a ratio that describes the ability of a company to meet short-term obligations (debt). Meanwhile, according to Munawir (2007) "liquidity is showing the ability of a company to meet financial obligations that must be met immediately, or the company's ability to meet financial obligations when billed". So it can be concluded that liquidity is the company's ability to meet its short-term financial obligations that must be fulfilled immediately.

2.4 Leverage

According to Kasmir (2010) leverage is the financial ratio used to measure the extent to which a company's assets are financed by debt. Because financial ratios can be used to evaluate the financial condition and performance of a company, thus the results of these financial ratios will show the health of a company. The company gets funding from two sources, namely creditors and shareholders.

2.5 Activity Ratio

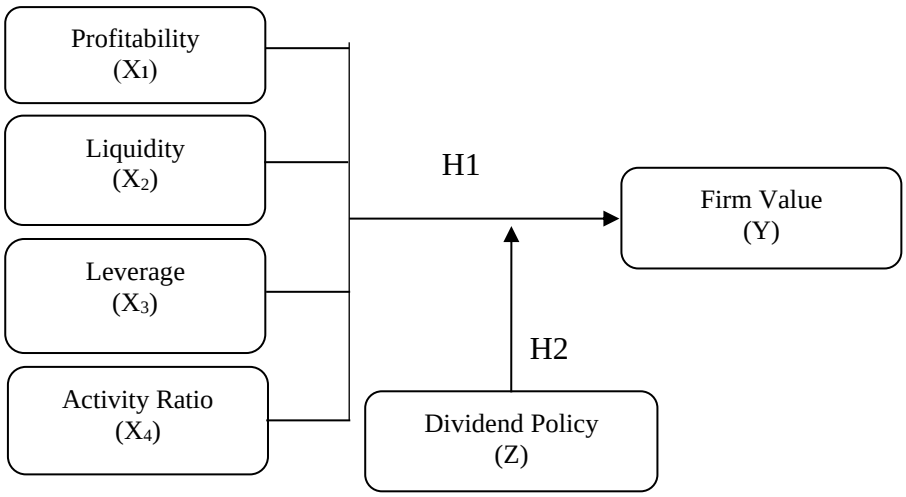
According to Horne (2005) Activity Ratio is a ratio that measures how effectively a company uses various assets. Activity Ratio is a ratio used to measure the level of efficiency in the utilization of company resources (sales, inventory, collection of accounts receivable, and others) or ratio to assess the company's ability to carry out daily activities.

2.6 Dividend policy

Dividend policy is a decision whether profits earned by a company will be distributed to shareholders as dividends or will be retained in the form of retained earnings to finance investment in the future.

2.7 Conceptual Framework

Based on the research problem and the theoretical foundation, the conceptual framework of the researcher can be seen in the figure below:



Based on the theoretical and conceptual framework, the hypotheses of this study are as follows:

1. Profitability has a positive effect on firm value in manufacturing companies on the Indonesia Stock Exchange (IDX).
2. Liquidity has a positive effect on firm value in manufacturing companies on the Indonesia Stock Exchange (IDX).
3. Leverage has a positive effect on firm value in manufacturing companies on the Indonesia Stock Exchange (IDX).
4. Activity ratio has a positive effect on firm value in manufacturing companies on the Indonesia Stock Exchange (IDX).
5. Dividend policy is able to strengthen the relationship between profitability, liquidity, leverage and the ratio of activity on firm value in manufacturing companies on the Indonesia Stock Exchange (IDX).

3. Methods

The research conducted is an associative research that is research that aims to determine the relationship between two or more variables. (Sugiyono, 2012: 11). This research analyzes the effect of profitability, liquidity, leverage and the ratio of activities to firm value with dividend policy as a moderating variable in manufacturing companies on the Indonesia Stock Exchange.

The research technique and data collection was carried out at manufacturing companies listed on the Indonesia Stock Exchange in the period 2008-2017

Table 1. Sampling Recapitulation

Information	Total
Total population (manufacturing companies listed on the Indonesia Stock Exchange for the period 2008-2017)	142
The number of populations that do not meet the criteria	122
Companies that become samples	20
Number of research samples (20 x 10)	200

The location of this research is on the Indonesia Stock Exchange (IDX) in Jakarta. While the research time in this study is the period 2008-2017.

The analytical method used in this study is the analysis of the Structural Equation Model with data processing using the Analysis of Moment Structure (AMOS) computer program. Model suitability is evaluated through a review of various Goodness of fit criteria. The first action is to evaluate whether the data used can meet the SEM assumptions. Here are some assumptions and requirements that need to be considered when using the SEM method:

1. Sample Size. In general, it is said that the use of SEM requires a large number of samples so that the results obtained have sufficient credibility (trustworthy results).
2. Data Normality and Outlier. Outliers are data that have unique characteristics that look very different from other observations and appear in the form of extreme values.

If the SEM assumptions are met, the model can be tested through various methods of testing the goodness of fit criteria (Ghozali, 2013):

a) Chi-Square (X^2). One of the main goodness of fit testing instruments on absolute fit indices is Chi-Square (X^2). The purpose of Chi-Square (X^2) is is to find out whether the sample covariance matrix differs significantly from the estimated covariance matrix. A good Chi-Square (X^2) value is expected to be small.
b) CMIN / DF. Is the Chi-Square value divided by the degree of freedom. The size of the fit ratio is <2.00.
c) GFI (goodness of fit index). A high GFI value indicates better fit. There are no standards for GFI that can be accepted as reasonable, but many researchers recommend values above 0.90 as a measure of good fit.
d) AGFI (adjusted goodness of fit) is a development of GFI that is in accordance with the degree of freedom ratio. Recommended value> 0.90.
e) TLI (tucker lewis index). This measure combines the parsimony size into the comparative index between the proposed model and the null model. The recommended value is> 0.90.
f) CFI (comparative fit index) has the same basis as CFI. Only TLI numbers can be below 0 or above 1.
g) RMSEA (root mean square error of approximation). It is a measure that tries to correct the tendency for chi-square statistics that reject models with large samples. RMSEA values between 0.05 to 0.08 are acceptable measurements.

Table 2. Model Feasibility Testing Index

Goodness of Fit Index	Cut-off Value
X2 Chi- Square Statistik	Expected to be small
Significant Probability	> 0,05
RMSEA	> 0,08
GFI	> 0,90
AGFI	> 0,90
CMIN/DF	< 2,00
TLI	> 0,90
CFI	> 0,95

4. Result and Discussion

The selection of panel data regression estimation models in this study there are three models that have been estimated to be selected which model is most appropriate / in accordance with the research objectives. There are three tests that can be used as a tool in choosing a panel data regression model, namely: Common Effect, Fixed Effect and Random Effect. Based on the characteristics of the data held, it can be done, namely: Chow Test and Hausman Test.

Descriptive statistics in this section will display the characteristics of the sample used in the study, which include: the number of samples (N), the average sample (mean), minimum and maximum as well as the standard deviation (σ) for each variable. Descriptive statistics can be seen in Table 3 below:

Table 3. Statistical Descriptive Test Result

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	200	,02	35,87	9,83	7,01
Liquidity	200	116	1516,46	404,82	281,91
Leverage	200	,08	2,18	,41	,38
Activity Ratio	200	,06	3,91	,94	,54
Firm Value	200	,01	16,13	2,30	3,16
Dividend Policy	200	1,01	138,55	32,76	25,92
Valid N (listwise)	200				

Based on Table 3 it can be explained that:

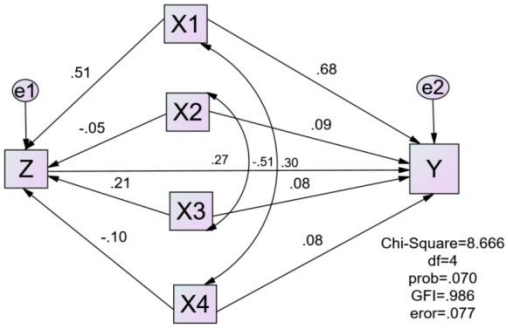
1. Profitability (X1) The minimum value is 0.02 while the maximum value is 35.87, the mean value is 9.83 and the standard deviation is 7.01. The magnitude of the average value compared to the standard deviation shows the small deviations of data, which means low fluctuations in profitability variable data.
2. Liquidity (X2) has a minimum value of 116 while the maximum value is 1516.46. The mean value is 404.82 and the standard deviation is 281.91. The average value compared to the standard deviation shows the small size of the data deviation, which means the low fluctuation of data liquidity variables.
3. Leverage (X3) has a minimum value of 0.08 while a maximum value of 2.18. the mean value is 0.41 and the standard deviation is 0.38. The magnitude of the average value compared to the standard deviation shows the small deviations of data, which means low fluctuations in variable leverage data.
4. Activity ratio (X4) has a minimum value of 0.06 while a maximum value is 3.91. the mean value is 0.94 and the standard deviation is 0.54. The magnitude of the average value compared to the standard deviation shows the small deviations of data, which means the low fluctuations in the data variable activity ratio.
5. Firm value (Y) has a minimum value of 0.01 while the maximum value is 16.13, the mean value is 2.30 and the standard deviation is 3.16. The amount of the standard deviation compared to the average value shows the size of the data deviation, which means that the high fluctuations in the variable data are firm value.
6. Dividend Policy (Z) has a minimum value of 1.01 while a maximum value of 138.55. the mean value is 32.76 and the standard deviation is 25.92. The magnitude of the average value compared to the standard deviation shows the small deviations of data, which means low fluctuations in variable data dividend policy.

After modifying the model based on the MI value, then the fit model test or Goodness of fit is re-done to find out whether the model is fit or the research data supports the developed model. Goodness of fit test results of the modification model can be seen in table 4 below.

Table 4. Modification Model Goodness of fit Test

Goodness of fit	Cut of value	Result	Criteria
Chi Square	Expected to be small	8,666	
Probability	≥ 0,05	0,070	Fit
GFI	≥ 0,90	0,986	Fit
Eror (RMSEA)	≤ 0,08	0,077	Fit

Based on the results in Table 4, the research model has been supported by data or it can be said that the model is already fit with the data. This can be seen from a number of goodness of fit index values that already meet the cut-off value, including the probability value (0.070) that is already smaller than the 0.05 test level; the error value or RMSEA (0.077) is already smaller 0.08 and the GFI value (0.986) is already greater than 0.90. When compared with the goodness of fit index value in the initial model, the goodness of fit index value on the modified model has changed and shows fit results. Furthermore, further path analysis can be performed using a modification model.



To analyze the direct or indirect relationship between variables X1, X2, X3, and X4 to Y through Z can be seen in the following table.

Direct Relationship Between Variables in the Path Model
Regression Weights: (Group number 1 - Default model)

Path			Estimate	Estimate (Standardized)	S.E.	C.R.	P
Z	<---	X1	1.986	.513	.241	8.247	***
Z	<---	X4	-5.218	-.099	3.266	-1.598	.110
Z	<---	X2	-.005	-.052	.006	-.763	.445
Z	<---	X3	14.805	.210	4.855	3.049	.002
Y	<---	X1	.319	.678	.020	16.205	***
Y	<---	X4	.490	.077	.232	2.112	.035
Y	<---	X2	.001	.089	.000	2.221	.026
Y	<---	X3	.707	.082	.351	2.016	.044
Y	<---	Z	.033	.274	.005	6.665	***

Note: the value of p = *** means the value of p is very small or 0.000000 or very close to zero.

Based on the table above can be explained the direct effect relationship between variables as follows.

1. Relationship of Profitability (X1) to Firm Value (Y)
   The standardized estimate is 0.678; this shows that the effect of profitability on firm value is positive. This means that the better the profitability, the higher the firm value. The value of p (0,000) is smaller than the 0.05 level of significance indicating that profitability significantly affects firm value directly.
2. Relationship of Liquidity (X2) to Firm Value (Y)
   The standardized estimate is 0.089; this shows that the effect of X2 on Firm Value is positive. This means that the better liquidity will increase firm value. The p value (0.026) is smaller than the 0.05 significance level indicating that liquidity significantly affects firm value directly.
3. Relationship of Leverage (X3) to Firm Value (Y)
   The standardized estimate is 0.082; this shows that the effect of leverage on firm value is positive. This means that the better the leverage will increase firm value. The p value (0.044) is smaller than the 0.05 significance level indicating that Leverage significantly affects the firm value directly.
4. Relationship between Activity Ratio (X4) to Firm Value (Y)
   The standardized estimate is 0.077; this shows that the effect of the Activity Ratio on Firm Value is positive. This means that the better the Activity Ratio will increase the Firm Value. The p value (0.035) is smaller than the 0.05 significance level indicating that the Activity Ratio significantly affects the Firm Value directly. Or it can also be said that the Activity Ratio hypothesis partially affects Enterprise Value supported.
5. Relationship of Dividend (Z) Policy to Firm Value (Y)
   The standardized estimate is 0.274; this shows that the effect of dividend policy on firm value is positive. This means that the better the dividend policy will firm value. The p value (0,000) is smaller than the 0.05 significance level indicating that the dividend policy significantly affects the Firm Value directly.

Indirect Relations Through Z Variables in the Path Model
Standardized Indirect Effects (Group number 1 - Default model)

	X3	X2	X4	X1	Z
Z	.000	.000	.000	.000	.000
Firm Value	.057	-.014	-.027	.141	.000

Based on the table above can also be seen the indirect effect of profitability, liquidity, leverage and the ratio of activity to the Firm Value variable (Y) through moderating the dividend policy variable (Z) which can be reviewed as follows:

1. The indirect effect of profitability (X1) on firm value (Y) by mediating dividend policy (Z)
   The standardized estimate is 0.141; this shows that the indirect effect of profitability on firm value by mediating dividend policy is positive.
2. The indirect effect of Liquidity (X2) on Firm Value (Y) with mediation Z

The standardized estimate is -0.014; this shows that the indirect effect of liquidity on firm value by mediating dividend policy is negative.

3. The indirect effect of leverage (X3) on firm value (Y) by mediating dividend policy (Z)
   The standardized estimate is 0.057; this shows that the indirect effect of Leverage on Firm Value Enterprise Value with mediation Dividend policy is positive.
4. Indirect effect of Activity Ratio (X4) on Firm Value (Y) with mediation of dividend policy (Z)
   The standardized estimate is -0.027; this shows that the indirect effect of Activity Ratio on Firm Value with mediation dividend policy is negative. It means that the better the Activity Ratio will reduce the Firm Value by mediating the dividend policy.

4.1 Discussion

The results of hypothesis testing indicate that partially profitability has a positive effect on firm value. A positive effect indicates that profitability is in line with firm value. Where the increasing profitability variable will increase firm value, and vice versa the more increasing the profitability variable will further increase firm value. Significant effect shows that profitability has an important effect on firm value. The results of this study are in line with research by Rudangga, and Sudiarta (2016) states that profitability has a positive effect on firm value.

Hypothesis testing results indicate that partially liquidity affects firm value. The positive effect shows that liquidity is in line with the firm value. Increasing liquidity also increases the firm value. Likewise, on the contrary, the more liquidity decreases, the lower the firm value. This indicates information about liquidity is responded to and considered by investors and external parties in assessing the financial performance of a company. Significant effect shows that liquidity does not have an important role in firm value. The results of this study are in line with research conducted by Siregar (2010) stating that liquidity has a partially and simultaneously an effect on firm value as reflected through its share price.

Hypothesis testing results show that partial leverage has a positive and significant effect on firm value. This shows that the greater the leverage, the more the value of the company increases, and vice versa, the smaller the leverage, the lower the value of the company. an increase in debt is interpreted by outsiders about the company's ability to pay obligations in the future, it will be responded positively by the market because an increase in debt shows that the company is able to manage the company's performance well so that it is able to pay its obligations properly. The results of the study are in line with those carried out by Nurbaiti, Anisa and Nurminda (2017) and the results of research by Li Qjuying (2014) that leverage has an effect on firm value.

Hypothesis testing results indicate that partially the ratio of activity has a positive and significant effect on firm value. This means that the effectiveness of managing the company’s resources from the availability of total assets is very good, so that the availability of assets owned can increase the company’s operational activities, especially in terms of the ability to increase company profits which will

directly affect the value of the company. It can be assumed that the company's asset turnover in generating profits is very effective, where Total Assets Tour Over has a positive effect on the firm value. The results of this study are in line with the research of Mariyana (2018) which states that the ratio of activity affects firm value.

The results of the analysis prove that the dividend policy is not able to play a role as a moderator in the effect of profitability, liquidity, leverage and the ratio of activity to firm value, in other words, the existence of dividend policy cannot strengthen the effect of profitability, liquidity, leverage and the ratio of activity to firm value. This shows that information regarding dividend payment policy does not affect the increase in firm value. The level of financial ratios is able to give a positive signal to investors on firm value, but the dividend policy is not able to strengthen the investor's valuation of the company's shares when the ratio increases. The results of this study are in line with research by Puspitaningtyas (2017), which states that dividend policy is not able to moderate the effect of profitability on firm value. And the results of Mahendra's research (2011), showed that dividend policy cannot moderate the relationship between leverage and firm value.

5. Conclusion and Suggestion

5.1 Conclusion

Based on the results of research and hypothesis testing that has been done, several conclusions can be drawn as follows:

1. Profitability, liquidity, leverage and activity ratios have a positive and significant effect on firm value in manufacturing companies listed on the Indonesian stock exchange.
2. Liquidity has a positive and significant effect on firm value in manufacturing companies listed on the Indonesian stock exchange.
3. Leverage has a positive and significant effect on firm value in manufacturing companies listed on the Indonesia stock exchange.
4. Activity ratio has a positive and significant effect on firm value in manufacturing companies listed on the Indonesia stock exchange.
5. Dividend policy is not able to moderate the relationship between profitability, leverage liquidity and the ratio of activity to firm value in manufacturing companies listed on the Indonesian stock exchange

5.2 Suggestions

The suggestions that can be given on the basis of these conclusions are as follows:

1. For further researchers it is recommended to use other variables so that the results obtained will be more accurate and have a broad scope such as firm size, market value.
2. For further researchers it is recommended to use other moderation variables as moderation variables such as managerial ownership.
3. For investors or potential investors who want to invest their shares to pay more attention to the development of the company's financial performance.
4. The results of this study can provide information to company management as a consideration in making decisions mainly based on financial performance.

5. For management, the company is expected to be able to manage investor funds well so that it can provide a level of profit or return that is in line with investor expectations. The company management is also expected to improve the performance of the company. This is because with good performance, the benefits will be maximized.

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