

Received: October 28, 2024

Revised: November 01, 2024

Accepted: December 01, 2024

*Corresponding author: Putri Ainun Jariah, Magister of Management, Faculty of Economic and Business, Universitas Hasanuddin, Makassar, Indonesia.

E-mail: putriainunij@gmail.com

DATA IN SUMMARY | ACCOUNTING, MANAGEMENT, BUSINESS, ECONOMIC

Implementation of Profitability on Dividend Distribution and Company Value on the Jakarta Islamic Index

Putri Ainun Jariah¹, Abd. Rakhman Laba², Andi Aswan³

^{1,2,3,4}Magister of Management, Faculty of Economic and Business, Universitas Hasanuddin, Makassar, Indonesia. Email: putriainunij@gmail.com

Abstract: This study aims to determine the effect of liquidity, profitability on firm value and dividend policy as a mediating variable (Study on the Jakarta Islamic Index 2016-2020). This type of research is descriptive quantitative research using secondary data from financial statements as a source of data collection. Focus on research related to social humanities, with a research theme focused on finance that is more specific to financial reports within the corporate scope of the 2017-2021 Jakarta Islamic index as a research topic. This research uses path analysis technique. The results of this study indicate that 1) Liquidity has a significant negative effect on dividend policy. 2) Profitability has a significant positive effect on dividend policy. 3) Liquidity has no significant negative effect on firm value. 4) Profitability has a significant positive effect on firm value. 5) Dividend policy has a significant positive effect on firm value. 6) Liquidity has a significant negative effect on firm value through dividend policy. 7) Profitability has a significant positive effect on firm value through dividend policy.

Keywords: Implementation, Profitability, Dividend, Firm Value.

1. INTRODUCTION

The existence of the capital market in Indonesia has become increasingly popular among the public and has experienced quite rapid development, as evidenced by the increasing number of companies listed on the Jakarta Islamic Index Indonesia and the increasing number of investors investing their capital in companies that have been listed on the Jakarta Islamic Index. The existence of the Indonesian capital market is very much needed by companies because by listing on the Jakarta Islamic Index. Maximizing the value of the company is very important for a company, because by maximizing the value of the company also means maximizing the main objectives of the company. Increasing the value of the company is an achievement that is in accordance with the wishes of its owners, because by increasing the value of the company, the welfare of the owners will also increase. The variables that are considered to have an influence on the value of the company are the liquidity ratio and the profitability ratio. The liquidity ratio and the profitability ratio are ratios that can describe good financial performance therefore companies are required to increase the liquidity ratio and the profitability ratio. The liquidity ratio is a ratio that describes the company's ability to meet or pay its short-term obligations on time. Companies that have a high level of liquidity indicate that the company's growth opportunities tend to be high. The more liquid the company, the higher the level of creditor trust in providing its funds, so that it can increase the value of the company in the eyes of creditors and potential investors (Gultom, 2013).

The company's value is also influenced by the profitability generated by the company, because the size of the profitability generated by a company can affect the company's value. Profitability is a ratio

to assess the company's ability to make a profit during a certain period. Good company prospects indicate high profitability, companies that have a high level of profitability will be in demand by investors so that investors can respond positively and the company's value can increase. Dividend distribution is a company's decision regarding how much income can be paid out as dividends and how much can be retained. Dividend distribution is a decision whether what the company obtains will be distributed to shareholders as dividends or will be retained in the form of retained earnings to finance future investments. This dividend distribution is expected to be able to provide added value to the company and attract investors because with this dividend distribution, prospective investors will assume that the company is in a stable condition, especially after the current pandemic, many companies are experiencing losses and even bankruptcy, so that with this dividend distribution it can be a consideration in making investment decisions (Sartono, 2011).

2. LITERATURE REVIEW

Research on the effect of liquidity and profitability on company value has been widely conducted by previous researchers, such as that conducted by Putri and Ukhriyawati (2016), who found that liquidity had a negative effect on company value and partially liquidity did not have a significant effect on company value, while profitability had a positive effect on company value and partially had a significant effect on company value. Research was also conducted by Sari and Ariesta (2019) who found that statistically profitability and liquidity had a significant positive effect on company value, while dividend distribution had a statistically insignificant effect on company value. From the empirical research above, there was a gap in research results, this is because the measurements used by the researchers still use Price to Book Value (PBV) in measuring company value, so the research results are inconsistent. Therefore, this study will focus on company value using the Market to Book Value (MBV) approach. Measurement using Market to Book Value is supported by research conducted by Sudiani and Darmayanti (2016).

Due to the differences in the research results above, the researchers want to prove for themselves whether liquidity and profitability really affect company value or not. However, to differentiate this study from previous studies, the researcher added the Dividend Distribution variable as an intervening variable using the Total Dividend/Total Asset (Div/TA) approach. This measurement is in accordance with research conducted by Geetanjali Pinto and Shailesh Rastogi (2019). Dividend distribution is a company's decision regarding how much income can be paid out as dividends and how much can be retained. Dividend distribution is a decision whether the company's earnings will be distributed to shareholders as dividends or will be retained in the form of retained earnings to finance future investments. This dividend distribution is expected to be able to provide added value to the company and attract investors because with this dividend distribution, prospective investors will assume that the company is in a stable condition, especially in the midst of the current pandemic, many companies are experiencing losses and even bankruptcy, so that with this dividend distribution it can be a consideration in making investment decisions (Sartono, 2011). The focus of this research was carried out on sharia stocks listed on the Jakarta Islamic Index (JII) in 2017-2021.

3. RESEARCH METHOD

3.1. Procedures

The type of research used in this study is quantitative research with a multiple linear regression analysis approach using Amos and SPSS in data processing, and the assistance of the path application.

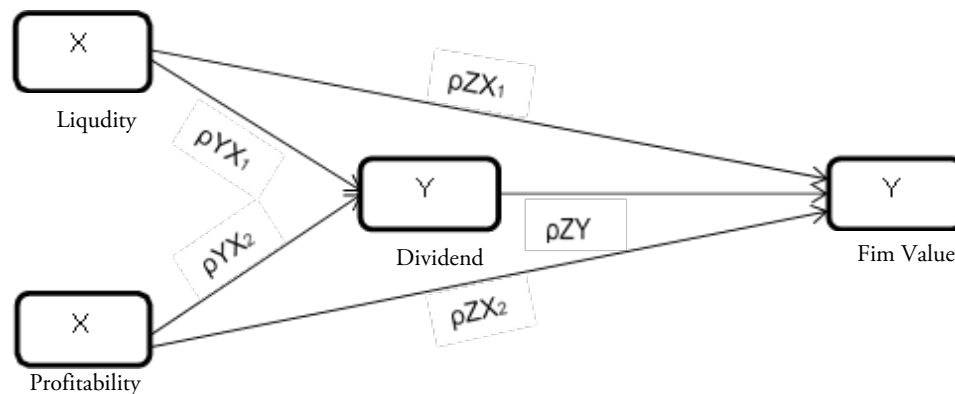


Figure 1. Conceptual Framework

This research was conducted at the Indonesia Stock Exchange on sharia-based companies listed in the Jakarta Islamic Index, with the research observation period being conducted from 2017-2021. Meanwhile, the research time was based on the length of the research conducted until the completion of the research results which took two months. The population in this study were companies included in the Jakarta Islamic Index (JII) list for the 2017-2021 period. Sample In this study, the author only took samples of companies included in the Jakarta Islamic Index (JII) list for the 2017-2021 period and routinely distributed dividends every year.

In this study, the data source was taken from the results of recording the company's annual financial statements for 2016-2020. The data source was taken from previously difficult data (secondary data) in the form of the company's financial statements and supporting data in the form of theories and research journals (previous research). Secondary data is data that supports the needs of primary data such as books, literature and readings that are related and support this research.

3.2. Data Analysis Techniques

The analysis technique used in the study is multiple linear regression analysis. This technique is used to test for the presence of mediating variables between the independent variables and the dependent variables, Ghozali (2011). This analysis is carried out in two stages or Two Stage Least Square (2SLS) consisting of 2 models.

1. Model Test (Goodness of Fit)

The model feasibility test is used to assess the accuracy of the sample regression function in estimating the actual value. Statistically, it can be measured by the coefficient of determination and statistical value. Statistical calculations are said to be significant if statistically the statistical test value is in the critical area (the area where H_0 is rejected). Conversely, it is called insignificant if the statistical test is in H_0 is accepted, Ghozali (2011).

2. Path Analysis

In addition to model testing and normality testing, this study also uses path analysis. According to Sani and Maharani (2013), path analysis is used to analyze the pattern of relationships between variables, this model is used to determine the direct or indirect influence of a set of independent variables on the dependent variable.

4. RESULTS AND DISCUSSION

Analysis of research results using path analysis with the AMOS 21.0 program (Analysis of Moment Structure, Arbuckle, 1997). The predictive power of observation variables both at the personality level and at the construct level is seen through the critical ratio (CR). If the critical ratio is significant, then the variable will be said to have an effect on the dependent variable. The following is a hypothesis test by looking at the p-value, if the p value is smaller than 0.05, then the relationship between the variables is significant. The test results are presented in the following table:

Table 1. Test Results

| HIP | Independent Variables | Dependent Variables | Standardize | CR | p-value | Information |
|------------------------|-----------------------|-----------------------|-----------------------|--------|---------|---------------|
| Direct Effect | | | | | | |
| H1 | Liquidity | Dividend distribution | -0,139 | -4,520 | 0,000 | Significant |
| H2 | Profitability | Dividend distribution | 0,890 | 29,036 | 0,000 | Significant |
| H3 | Liquidity | Company Value | 0,018 | 1,369 | 0,171 | Insignificant |
| H4 | Profitability | Company Value | 0,091 | 2,090 | 0,049 | Significant |
| H5 | Dividend distribution | Company Value | 0,921 | 18,013 | 0,000 | Significant |
| Indirect Effect | | | | | | |
| H6 | Liquidity | Company Value | Dividend distribution | -0,128 | 0,000 | Significant |

Based on the reliability test in table 1, the results of the Cronbach alpha value of all variables are above 0.6. Therefore, it is concluded that all variables are reliable to be used. Based on the reliability test in table 1 above, the Cronbach alpha value of all variables is above 0.6. Therefore, it is concluded that all variables are reliable for use.

5. DISCUSSION

This equation tests Hypothesis 1, which states that liquidity has a significant negative effect on dividend distribution. The test results show a path coefficient of -0.139 with a significance value of 0.000, which is less than 0.050. Based on the proposed hypothesis that liquidity affects dividend distribution, H1 is accepted. This equation tests Hypothesis 2, which states that profitability has a significant positive effect on dividend distribution. The test results show a regression coefficient of 0.890 with a significance value of 0.000, which is less than 0.050. Based on the proposed hypothesis that profitability affects dividend distribution, H2 is accepted. This equation tests Hypothesis 3, which states that liquidity has a positive but insignificant effect on company value. The test results show a regression coefficient of 0.018 with a significance value of 0.171, which is greater than 0.050. Based on the proposed hypothesis that liquidity does not significantly affect company value, H3 is rejected. This equation tests Hypothesis 4, which states that profitability has a significant positive effect on company value. The test results show a regression coefficient of 0.091 with a significance value of 0.049, which is less than 0.050. Based on the proposed hypothesis that profitability affects company value, H4 is accepted. This equation tests Hypothesis 5, which states that dividend distribution has a significant positive effect on company value. The test results show a regression coefficient of 0.921 with a significance value of 0.000, which is less than 0.050. Based on the proposed hypothesis that dividend distribution affects company value, H5 is accepted.

The effect of liquidity on company value through dividend distribution is tested in Hypothesis 6, which posits that liquidity has a significant negative effect on company value through dividend distribution. The test results show a regression coefficient of -0.128 with a significance value of 0.000, which is less than 0.050. Based on the proposed hypothesis that liquidity affects company value through dividend distribution, H6 is accepted. Finally, Hypothesis 7 tests the effect of profitability on company value through dividend distribution. It posits that profitability has a significant positive effect on company value through dividend distribution. The test results show a regression coefficient of 0.820 with a significance value of 0.000, which is less than 0.050. Based on the proposed hypothesis that profitability affects company value through dividend distribution, H7 is accepted.

6. CONCLUSION

The results of this study reveal several key insights regarding the relationships between liquidity, profitability, dividend distribution, and company value. First, liquidity is found to have a significant negative effect on dividend distribution, indicating that higher liquidity leads to lower dividend payouts. This suggests that companies with abundant liquid assets may prefer retaining cash rather than distributing it as dividends. On the other hand, profitability has a significant positive effect on dividend distribution. This means that as profitability increases, so does the likelihood of higher dividend payouts, highlighting the role of profitability in encouraging increased dividend distributions. When examining the effect of liquidity on company value, the findings indicate an insignificant positive relationship, suggesting that liquidity does not have a meaningful impact on enhancing company value. This suggests that simply having higher liquidity does not necessarily contribute to an increase in a company's market value.

In contrast, profitability has a significant positive effect on company value, demonstrating that higher profitability boosts the company's value. Strong profitability signals positive prospects for the company, which in turn attracts investors and increases the overall value of the business. Additionally, dividend distribution is shown to have a significant positive effect on company value. This relationship implies that as dividend distribution improves, the company's value tends to rise, reinforcing the idea that rewarding shareholders with dividends can enhance a company's market perception and worth. Further analysis reveals that liquidity negatively affects company value through dividend distribution. Specifically, high liquidity tends to reduce the amount of dividends distributed, which in turn can diminish company value. This suggests that retaining large amounts of liquid assets, rather than distributing them as dividends, may have a detrimental effect on the company's market valuation. As a conclusion from this study, profitability positively influences company value through dividend distribution. As profitability increases, so does dividend distribution, which ultimately contributes to a higher company value. This indicates that profitable companies not only offer attractive dividends but also enhance their market value by doing so.

REFERENCES

- Gultom, R., & Wijaya, S. W. (2013). Analisis faktor-faktor yang mempengaruhi nilai perusahaan pada perusahaan farmasi di Bursa Efek Indonesia. *Jurnal Wira Ekonomi Mikroskil*, 3(1), 51-60.
- Harjito, A., & Martono, M. K. (2013). Edisi 2. Penerbit Ekonisia, Yogyakarta.
- Hery, S. E. (2023). *Teori akuntansi: Pendekatan konsep dan analisis*. Gramedia Widiasarana Indonesia.
- Indahsari, P., & Asyik, N. F. (2021). Pengaruh kinerja keuangan terhadap nilai perusahaan melalui kebijakan dividen. *Jurnal Ilmu dan Riset Akuntansi (JIRA)*, 10(5).
- Indriyani, E. (2017). Pengaruh ukuran perusahaan dan profitabilitas terhadap nilai perusahaan. *Akuntabilitas: Jurnal Ilmu Akuntansi*, 10(2), 333-348.

- Jariah, A. (2016). Likuiditas, leverage, profitabilitas pengaruhnya terhadap nilai perusahaan manufaktur di Indonesia melalui kebijakan deviden. *Jurnal Riset Akuntansi dan Keuangan Indonesia*, 1(2).
- Kasmir. (2016). Analisis laporan keuangan (Edisi kesatu, cetakan kedelapan). PT Raja Grafindo Persada.
- Kurnia, D. (2017). Analisis signifikansi leverage dan kebijakan deviden terhadap nilai perusahaan. *JAK (Jurnal Akuntansi) Kajian Ilmiah Akuntansi*, 4(2).
- Lubis, I. L., Sinaga, B. M., & Sasongko, H. (2017). Pengaruh profitabilitas, struktur modal, dan likuiditas terhadap nilai perusahaan. *Jurnal aplikasi bisnis dan manajemen (JABM)*, 3(3), 458-458.
- Lumentut, F. G., & Mangantar, M. (2019). Pengaruh likuiditas, profitabilitas, solvabilitas, dan aktivitas terhadap nilai perusahaan manufaktur yang terdaftar di Indeks Kompas100 periode 2012-2016. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 7(3).
- Mery, K. N., Zulfahridar, Z., & Kurnia, P. (2017). Pengaruh likuiditas, leverage dan profitabilitas terhadap nilai perusahaan dengan kebijakan Dividen sebagai variabel moderasi pada perusahaan pertambangan yang terdaftar di bursa efek indonesia tahun 2011-2014 (Doctoral dissertation, Riau University).
- Noor, J. (2014). Metodologi penelitian. Kencana Prenada Media Group.
- Pinto, G., & Rastogi, S. (2019). Sectoral analysis of factors influencing dividend policy: Case of an emerging financial market. *Journal of risk and financial management*, 12(3), 110.
- Sari, R. L., & Ariesta, M. (2019). Pengaruh Profitabilitas Dan Tingkat Likuiditas Terhadap Nilai Perusahaan Dengan Kebijakan Dividen Sebagai Variabel Intervening (Studi Kasus Pada Perusahaan Manufaktur Di Bursa Efek Indonesia Periode 2013 -2017). *Journal Of Accounting*, 5(5).
- Sartono, A. (2010). Manajemen Keuangan teori dan Aplikasi edisi 4. Yogyakarta: Bpfe.
- Setyawan, B. (2019). Pengaruh Free Cash Flow, Profitabilitas Dan Likuiditas Terhadap Nilai Perusahaan Dengan Kebijakan Dividen Sebagai Variabel Intervening (Studi Pada Emiten Sub-Sektor Perdagangan Eceran yang Terdaftar di Bursa Efek Indonesia). *Jurnal Mitra Manajemen*, 3(7), 815-830.
- Wahyudi, H. D., Chuzaimah, C., & Sugiarti, D. (2016). Pengaruh ukuran perusahaan, profitabilitas, kebijakan deviden, dan keputusan investasi terhadap nilai perusahaan (Studi penggunaan indeks LQ-45 Periode 2010-2014). *Benefit: Jurnal Manajemen dan Bisnis (Jurnal ini Sudah Migrasi)*, 1(2), 156-164.
- Zahrani, P., Hidayat, W. W., & Supardi, S. (2024). Pengaruh Profitabilitas, Likuiditas, dan Struktur Modal Terhadap Nilai Perusahaan (Studi Kasus Pada Perusahaan Sektor Pharmaceuticals & Healthcare Periode 2019-2022). *Journal of Sharia Economics Scholar (JoSES)*, 2(2).