ANALYSIS OF FUNDAMENTAL FACTORS AFFECTING COMPANY VALUE WITH DIVIDEND POLICY AS INTERVENING VARIABLES IN THE COVID-19 PANDEMIC
(Study on the Consumer Goods Industry Sector)

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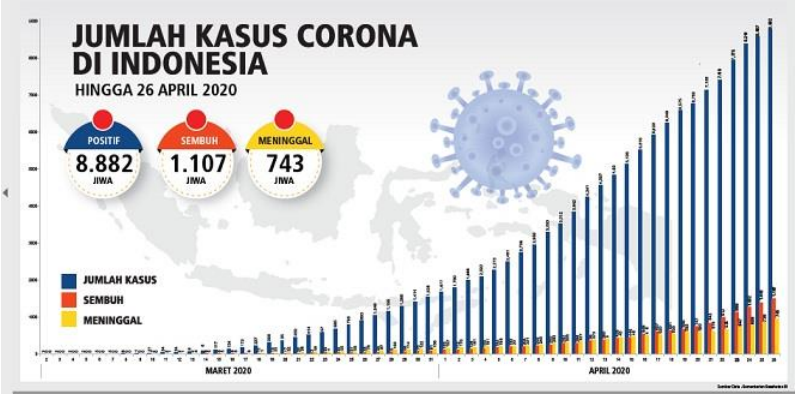
ABSTRACT

This study aims to look at the condition of companies in the consumer goods industry sector during a pandemic to analyze fundamental factors using the Return On Assets, Debt to Equity Ratio (DER) and Net Profit Margin (NPM) indicators on company value with PBV and PER indicators with dividend policy. as an intervening variable which is proxied by dividend payout ratio. This research was conducted in the consumer goods industry sector with a population of 53 and a sample of 46 companies. The data analysis technique used to discuss the problems in this research is the Structural Equation Model (SEM). The results showed that the influence of Fundamental Factors on Firm Value had a significant effect with the T-Statistic of (3.230 > 1.96). The results of the second study The Effect of Fundamental Factors on Dividend Policy has a significant effect with a T-statistic of (4,659 <1.96). The results of the third study the effect of Dividend Policy on Firm Value has a significant T-statistical effect of (4,629 <1.96).

Keywords: *Fundamentals, Company Value, Dividend Policy and Covid-19 Pandemic*

PRELIMINARY

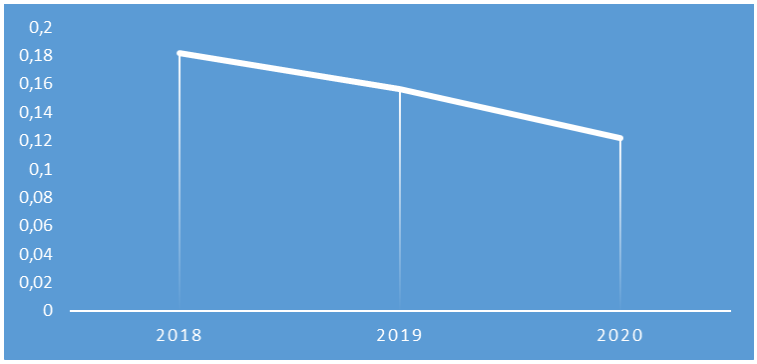
The COVID-19 pandemic which resulted in a world health crisis forced the government to set several policies to limit the movement of people ([1]. This makes some companies require employees to work from home, causing the company's operational activities to be disrupted [2]. Disruption of the company's operational activities can affect the condition and performance of the company. The impact of the COVID-19 pandemic has resulted in only 58.95% of companies being able to operate normally, even as many as 82.45% of companies experiencing a decrease in revenue (Central Bureau of Statistics, 2020). The fact that the COVID-19 pandemic has major consequences for the business world is interesting to examine whether the COVID-19 pandemic has put companies at risk of a decline in company value.



Source: www.beritasatu.com

Figure 1. Graph of the Increase in Covid-19 Cases in Indonesia

The development of the capital market in Indonesia is currently experiencing instability since the Covid-19 pandemic. The capital market in Indonesia is one of the countries that has experienced an extreme decline. Companies ranging from infrastructure, agriculture, various industries, mining and others have started to weaken. The impact of the Covid-19 pandemic has hampered the company's economic activities and operations, which have an effect now and in the future. This condition affects the company and exposes the company to an uncertain situation. The company in its business continuity has short-term and long-term goals. The company's short-term goal, which aims to obtain maximum profit by using existing resources. While in the long term, the main goal of the company is to maximize the value of the company to provide the welfare of the shareholders. ([3] Maximizing the value of the company means maximizing the present value of all profits that will be received by investors in the future or long-term oriented [4]. Because the value of the company is oriented towards long-term goals, every decision making on policies made by the company must consider aspects of the environment around the company, both micro and macroeconomic. Because the value of the company is oriented towards long-term goals, every decision making on policies made by the company must consider aspects of the environment around the company, both micro and macroeconomic. Because the value of the company is oriented towards long-term goals, every decision making on policies made by the company must consider aspects of the environment around the company, both micro and macroeconomic.



Source: Data Processed by Author (2021)

Graph 1. Average Company Value of the Consumer Goods Sector

The company under any circumstances will of course try as much as possible to maintain and always strive to improve the company's performance, so that the value of the company is always good in the eyes of shareholders and potential investors. A good company is certainly not planned to be established within a certain time limit but is certainly expected to continue to grow as long as possible. Because of this goal, the company's management strives to continue to innovate in facing all the challenges and developments of the times. Because if you don't, you won't be ready to keep up with changes and increasingly competitive competition.

Firm value is an investor's perception of the company's level of success which is often associated with stock prices [5]. The company will take various business steps to increase the value of the company, including maintaining stock prices. High stock prices will have an impact on high company value, thereby increasing investor confidence in the company's current performance and company prospects in the future. Management as the manager of the company's activities will try to maintain the company's share price in order to encourage the public to be willing to invest in the company.

The interests of the company's management are not always in line with those of the shareholders, this allows conflicts between stakeholders. One way to reduce the occurrence of conflicts of interest is by giving signals in the form of information about the company. According to [6], companies can reduce this conflict by channeling some of the excess cash flow to shareholders through high dividends and other alternatives by using debt.

Based on the statement of [7], revealing that the use of dividends as a tool to send real signals to the market about the company's work in the future is the right way. This indicates that dividends have an influence on firm value.

Dividend policy is a management policy to decide whether the profits earned by the company will be distributed to shareholders as dividends or retained in the form of retained earnings for investment financing in the future. There are several important factors that influence dividend policy, namely the available investment opportunities, the availability and cost of alternative capital, as well as the preference of shareholders to receive current income or receive it in the future [7].

Interesting dividend policy is used as a mediating variable (intervening) between fundamental factors and firm value in this study because the maximum firm value will be achieved by the company if the company pays attention to the shareholders. The achievement of the company's goals for shareholders is carried out by obtaining optimal profits, then the company's performance will be judged good by investors and responded positively by the market as indicated by the increasing demand for company shares. So that the dividend policy is important for shareholders to meet their expectations and on the other hand does not hinder the company's growth.

LITERATURE *REVIEW*

Fundamental Factor

Return On Assets (ROA)

Definition of Return on Assets (ROA) according to [8]:

“Return on Assets (ROA) measures the company's ability to generate profits by using the total assets (wealth) owned by the company after adjusting for the costs to finance these assets. ROA is also often referred to as ROI (Return on Investment).”

The ratio of return on assets (ROA) is used to measure management's ability to obtain overall profit (profit). The greater the ROA of a company, the greater the level of profit achieved and the better the position of the company in terms of asset use.

Debt to Equity Ratio (DER)

DER is a ratio calculated by dividing total debt by total equity (capital). This ratio is useful for knowing each rupiah of own capital used for debt guarantees and provides general instructions about the feasibility and financial risks of the company [9].

Net Profit Margin (NPM)

The Net Profit Margin (NPM) is a profitability ratio a company's capacity to profit from the results of its activities. According to [9] defines NPM as follows:

"Net profit divided by net sales represents NPM. The amount of net profit earned by the company on each sale is represented by this ratio. Because of the components of non-operating income and expenses, this ratio may not properly represent the percentage of net profit earned by the company for each transaction."

The value of the company

Price to Book Value

Price to Book Value (PBV) is one of the factors that an investor examines when choosing which stocks to buy. That whenever a company is performing well, this ratio generally rises above one, showing that the stock's market value exceeds its book value. The higher the PBV ratio, the higher the company is regarded by investors in comparison to the funds invested in it. The market will believe in the company's future prospects if the price to book value ratio is high. This is also what the firm's owners want, because a high company value signals that the company's shareholders will prosper as well.

Price Earning Ratio

The price earning ratio represents how much money investors are able to pay for each dollar of profit reported. [10]. The purpose of the price earning ratio is to see how the market appreciates the company's performance as reflected by its earnings per share. Price earning ratio shows the relationship between the common stock market and earnings per share.

Dividend policy

The company's funding decisions are heavily influenced by its dividend policy. The dividend payout ratio regulates how much money comes from retained earnings. The lower the amount of profit designated for dividend payments, the higher the retained earnings. The major features of dividend policy are the allocation of profit as retained earnings and dividend payments.

[11] defines Dividend policy is a financial choice that determines whether earnings made by a firm will be returned to shareholders in the form of dividends or will be maintained to enhance the capital structure. Van Horne and [11]) state that the most important aspect of dividend policy is determining the right distribution of profits between

dividend payments and retained earnings. The percentage of dividends paid to shareholders fluctuates throughout time as the company's investment alternatives become more acceptable and available. If the firm has a lot of investment opportunities, the dividends paid are usually zero, but if the company doesn't have, the dividends are paid at 100% of the profits.

RESEARCH METHODS

The Structural Equation Model is a data analysis technique that's been used to discuss the issues in this study. Structural Equation Models (SEM) are statistical tools that allow the testing of a large number of associations at the same time. [12]. Using an intermediate variable, the path diagram attempts to determine the effect of the independent variable on the dependent variable. Based on theory, the route diagram shows a clear causal relationship between variables.

One or more dependent variables can be linked to one or more independent variables to form complex connections. Given the existence of a tiered causality relationship, a variable that serves as an independent variable in one relationship but becomes a dependent variable in another relationship may exist.

The data for this study was gathered via secondary sources, specifically financial ratios of companies listed on the Indonesia Stock Exchange in the consumer goods industrial sector. There are 46 sample companies out of a total population of 53. The variables used are: ROA, DER, and NPM as the dependent variable, PBV and PER as independent variables and DPR as the intervening variable.

Testing the hypothesis of this study using the Partial Least Squares (PLS) method ([12] PLS is an effective factor indeterminacy analysis model since it does not require data to be of a specific scale and has a small sample size. It may also be used to confirm theory, further [12] PLS aids researchers in determining the value of hidden variables for the purpose of prediction. There are three types of parameter estimates that can be obtained with PLS: [12]The weight estimate used to construct the latent variable score is the first category;

b) The second category indicates the path estimate between the latent variable and its indicator block (loading), as well as between the latent variable and its indicator block; and

c) The third category concerns the means and locations of indicators and latent variables' parameters (regression constant values).

PLS uses a three-step iteration procedure to generate the three estimates above, with each stage producing an estimate. The first stage yields a weight estimate, the second stage yields estimates for the inner and outer models, and the third stage yields a means and location estimate (constant).

RESULTS AND DISCUSSION

Test Outer Model

Convergent validity is used to test the outer model with reflecting indicators, as evidenced by the outer loading of each variable indicator. If the outer loading value is more than 0.7, the indicator is considered to be reliable. The first stage of the PLS Algorithm on the research construct and its indicators is depicted in the diagram below.

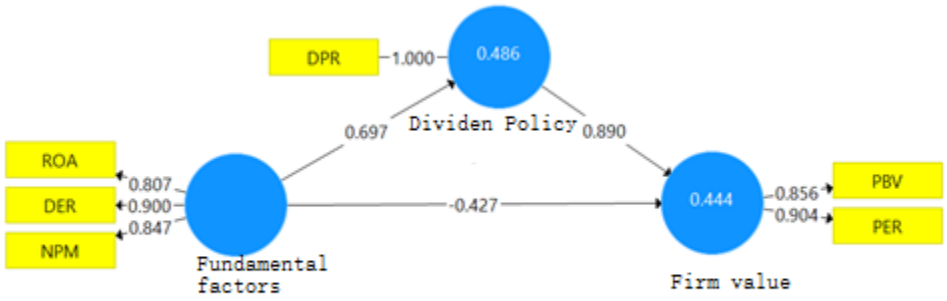


Figure 2 First Phase PLS Output on Research Constructs and Its Indicators

Based on Figure 2, the output results show that convergent validity with loading factor for the fundamental factor construct, dividend policy and firm value shows that all indicators have met convergent validity because all loading factors are above 0.70.

Another test is the composite reliability of the indicators that measure the construct. The reliability of each construct used in this study can be seen through composite reliability and Cronbach alpha, with the required value > 0.70.

Table 1

Construct Reliability and Validity

	Cronbachs Alpha	Rho_A	Composite Reli..	Avarege variance Extracted (AVE)
Fundamental Factors	0.813	0.829	0.888	.726
Divided policy	1.00	1.000	1.000	1.000
Firm Value	0.713	0.731	0.871	.775

Source: SmartPLS 3.0

Inner Model Test

Testing the inner model will give the results of the relationship between constructs. Table 2 below is the result of bootstrapping which describes the estimation results of each 5% significance construct (T-Statistic > 1.96). The following are the results of the path coefficients in table 2:

Table 2

Path Coefficients

	Original sample	Sample mean	Standard deviation	Test statistics	P value
Fundamental factors -> Dividend policy	0.697	0.678	0.150	4.659	.000
Fundamental factors -> Firm value	-.427	-0.462	0.132	3.230	.000
Dividend policy -> Firm value	0.890	0.894	0.192	4.629	.000

Source: SmartPLS 3.0

Table 2 shows that the effect of the Fundamental Factors on Firm Value has a significant effect with a T-Statistic of (3.230 > 1.96) and a coefficient value of -0.427. The effect of Fundamental Factors on dividend policy has a significant effect with a T-statistic

of (4.659 > 1.96) and a coefficient value of 0.697. Furthermore, the effect of Dividend Policy on Firm Value has a significant T-statistical (4.629 > 1.96) and the coefficient value is 0.890.

Table 3

Indirect Effect

	Original sample	Sample mean	Standard deviation	Test statistics	P value
Fundamental factors -> Dividend policy	0.620	0.626	0.236	2.636	.009

Source: SmartPLS 3.0

Based on table 3, it can be seen that the effect of Fundamental Factors on Firm Value with Dividend Policy as a significant moderating variable with a T-statistic of (2.632 > 1.96) and a coefficient value of 0.620.

The following Figure 3 shows the complete bootstrapping result that describes the relationship between the construct and the T-statistic value based on the SmartPLS 3.0 output:

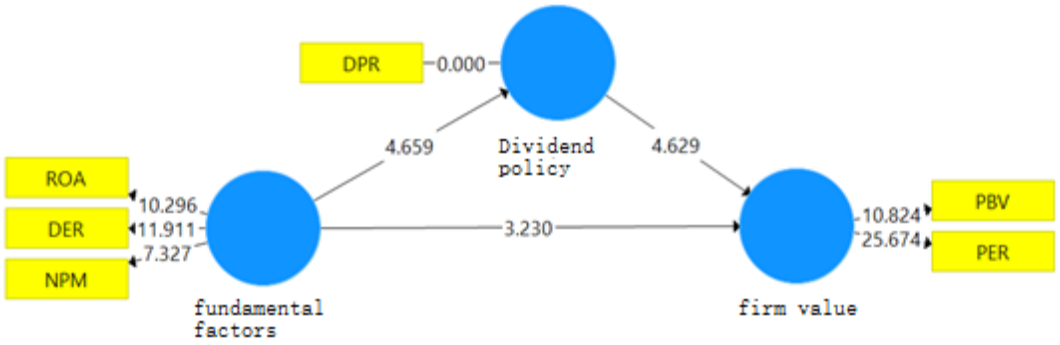


Figure 3 Bootstrapping Results

Discussion Fundamental Factors Against Company Value

Table 2 demonstrates that fundamental factors have a large impact on firm value, with T-Statistics of (3.230 > 1.96). This means that high profitability suggests favorable corporate prospects, causing investors to seek shares. The good response from these investors will boost the stock price and improve the company's value even further.

Fundamental Factors against Dividend Policy

Table 2 demonstrates that fundamental factors have a large impact on dividend policy, with T-Statistics of (4.659 > 1.96). The findings of this study support Sartono's research, which argues that profitability is a ratio that gauges a company's ability to make profits. One of the profitability ratios is Return on Assets (ROA). The ability of money invested in to tal assets to generate corporate profits is measured by return on assets (ROA). The larger the likelihood of dividend payment, the higher the Return on Assets (ROA).

In contrast to the research conducted by [12], it can be concluded that Profitability (ROA) does not affect the distribution of dividends to shareholders because managers will consider the level of costs in the future will increase due to the company's growth that occurs.

Dividend Policy on Company Value

With a T-Statistic of (4.629 > 1.96), the effect of Dividend Policy on Firm Value Policy is significant, as seen in Table 2. The dividend policy variable has a small but large beneficial impact on business value. The findings of this study back up the Bird in the Hand theory, which states that a company will optimize its worth by choosing a high dividend payment ratio, resulting in a higher stock market price..

In contrast to the research conducted by [13]adding that shareholders only aim to make short-term profits through collecting capital gains, dividend policy has little effect on business value. Investors think that today's small dividend income is no more profitable than future capital gains.

CONCLUSIONS AND SUGGESTIONS

The goal of this research is to find out how fundamental factors affect firm value. The effect of Fundamental Factors on Firm Value has a substantial effect with T-Statistics of (3.230 > 1.96) in the first study. The second study's findings With a T-statistic of (4.659 1.96), the Effect of Fundamental Factors on Dividend Policy has a substantial effect. The influence of Dividend Policy on Firm Value has a substantial T-statistical effect of (4.629 1.96) in the third research.

Future research needs to add other variables that affect firm value. Variables that can be added in this study, for example, are ownership structure, investment decisions and others. Adding the number of samples in a longer observation time so that later it is hoped that the results obtained will be more generalizable

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