



The Role Of Dividend Policy In Moderate The Influence Of Profitability And Liquidity On The Value Of Banking Companies Listed On The Indonesian Stock Exchange Period 2019–2022

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Abstract The covid-19 pandemic in early 2020 has caused a decline in the value of banking companies in Indonesia. The limited space for people to move due to government policies has an impact on reducing economic activity and disrupting bank performance in providing credit. This study was conducted to determine the effect of profitability and liquidity on firm value with dividend policy as a moderating variable. The population in this study were 47 banking companies listed on the Indonesia Stock Exchange with an observation time of 4 years. The sampling method used in this study was purposive sampling, and the number of samples obtained was 12 banking companies. The data analysis method used is Moderated Regression Analysis (MRA) using SMART PLS 4. Based on the research results, profitability has a positive and significant effect on firm value while liquidity has a negative and significant effect on firm value. Meanwhile, dividend policy cannot moderate the effect of profitability and liquidity on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period.

Keywords: Profitability, Liquidity, Dividend Policy, Firm Value

INTRODUCTION

Covid-19 began to enter Indonesia in early 2020 and has caused a health emergency for the Indonesian people. The rapid spread of the virus forced the government to implement a Large-Scale Social Restrictions (PSBB) policy, causing a lockdown to break the chain of spreading the covid-19 virus. Restrictions on community activities cause limited space for movement and economic activity of the community, causing an economic decline in formal and non-formal companies including the banking sector.

Based on data from BPS in 2020, it shows that the growth data of the Gross Domestic Product (GDP) of the financial services sector has decreased from 4.49 percent at the beginning of the second quarter of 2019 to 1.03 percent in the second quarter of 2020 with a total decrease of -77.06 percent. The role of banks as financial intermediaries to raise funds from the public and channel them back in the form of financing has also been disrupted due to the co-19 pandemic. This statement is supported by Indonesian Banking Statistics data published by OJK in 2020 which shows that the growth of net banking profit/loss has decreased from 123,940 billion rupiah in III-IV 2019 to 42,048 billion rupiah in the first quarter of 2020.

Based on processed data from the Indonesia Stock Exchange, it shows that the majority of third party funds have increased during the pandemic and are not matched by positive credit growth, where lending by banks during the pandemic has actually shown a decline.

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This led to a decrease in profits earned by the bank, which had to pay a greater interest expense than the interest income that could be obtained from lending. This decline in profits was also exacerbated by the increase in NPLs in a number of banks which could indicate an increase in bad debts.

Based on signaling theory, the higher the profit of a company, it will provide a good signal for investors so that it will increase the value of the company (Wijayaningsih and Agung Yulianto, 2021), therefore the high or low profit earned can affect the value of a company in the eyes of investors. The higher the profit that a company can generate, the investor assumes that the company's performance is still in good condition so that investors see the high value of the company and are interested in investing. Profit is a source of internal funds that can be obtained from the company's normal activities that do not require more costs or can be said to be the company's profitability. With high profits, it can provide signals to investors to invest their capital.

According to Hoesada (2020) in the agency theory article said: "Agency theory is a theory that arises when business activities are not always managed directly by the entity owner, and management matters are left to the agent". The emergence of agency relationships in agency theory when one or more principals who hire agents believe that the agent has and knows more about the company, so the principal delegates authority in decision making to the agent in the hope of maximizing his own interests (Musyarrofah and Nur Fadjrih Asyik, 2023). Thus, the higher the profit that can be generated by management can provide prosperity for shareholders.

An increase in share value can have a positive impact on business entities in the future. There are 2 ways to increase it, namely increasing market confidence and increasing the value of the business entity which will later be included in the financial statements which aim to attract investors to invest in the organization. The last stage is also called a financial report where financial data displays the financial condition of an organization (Lobiua et al., 2022).

Table 1. Development of Company Value (PBV) of Banking Companies listed on the IDX in 2019-2022

| Numbers | Company Name | PBV | | | |
|---------|--|------|------|------|------|
| | | 2019 | 2020 | 2021 | 2022 |
| 1 | PT Bank Central Asia Tbk | 4,74 | 4,52 | 4,44 | 4,77 |
| 2 | PT Bank Negara Indonesia (Persero) Tbk | 1,16 | 1,02 | 0,99 | 1,23 |
| 3 | PT Bank Rakyat Indonesia (Persero) Tbk | 2,58 | 2,57 | 1,84 | 2,47 |
| 4 | PT Bank Danamon Indonesia Tbk | 0,85 | 0,70 | 0,51 | 0,56 |

| | | | | | |
|----|---|------|------|------|------|
| 5 | PT Bank Pembangunan Daerah Jawa Barat Tbk | 0,96 | 1,27 | 1,00 | 0,96 |
| 6 | PT Bank Pembangunan Daerah Jawa Timur Tbk | 1,13 | 1,02 | 1,03 | 0,93 |
| 7 | PT Bank Mandiri (Persero) Tbk | 1,73 | 1,52 | 1,47 | 1,84 |
| 8 | PT Bank Bumi Arta Tbk | 0,48 | 0,58 | 3,39 | 0,85 |
| 9 | PT Bank CIMB Niaga Tbk | 0,56 | 0,60 | 0,55 | 0,65 |
| 10 | PT Bank Maybank Indonesia Tbk | 0,59 | 0,97 | 0,88 | 0,59 |
| 11 | PT Bank BTPN Tbk | 0,82 | 0,76 | 0,58 | 0,54 |
| 12 | PT Bank BTPN Syariah Tbk | 5,94 | 4,91 | 3,89 | 2,56 |
| 13 | PT Bank Mega Tbk | 2,85 | 2,75 | 5,20 | 3,00 |
| 14 | PT Bank Woori Saudara Indonesia 1906 Tbk | 0,79 | 0,67 | 0,43 | 0,49 |

Source : *IDX(www.idx.co.id)*

Based on table 1 above, it can be seen that the average value of banking companies has decreased due to the Covid-19 pandemic from 2019 to 2020, and slowly recovered in the following years. This phenomenon is due to investors diverting their investment funds to the health sector because it is considered more profitable during a pandemic, so the value of banking companies during a pandemic is less attractive to investors.

Companies that have high profitability will distribute profits in the form of dividends to investors. If the profit earned by the company is high, the dividends distributed will be large and vice versa if the profit earned by the company is low, the profit paid will decrease. High demand for shares is caused by the high dividends paid so that there is confidence from investors to entrust their funds to the company.

Table 2. Development of Profitability (ROA) of Banking Companies listed on the IDX in 2019-2022

| Numbers | Company Name | ROA | | | |
|---------|---|-------|------|-------|-------|
| | | 2019 | 2020 | 2021 | 2022 |
| 1 | PT Bank Central Asia Tbk | 4,02 | 3,32 | 3,41 | 3,91 |
| 2 | PT Bank Negara Indonesia (Persero) Tbk | 2,42 | 0,54 | 1,43 | 2,46 |
| 3 | PT Bank Rakyat Indonesia (Persero) Tbk | 3,50 | 1,98 | 2,72 | 3,76 |
| 4 | PT Bank Danamon Indonesia Tbk | 2,95 | 0,87 | 1,02 | 2,14 |
| 5 | PT Bank Pembangunan Daerah Jawa Barat Tbk | 1,68 | 1,66 | 0,02 | 0,02 |
| 6 | PT Bank Pembangunan Daerah Jawa Timur Tbk | 2,73 | 1,95 | 2,05 | 1,95 |
| 7 | PT Bank Mandiri (Persero) Tbk | 3,03 | 1,64 | 2,53 | 3,30 |
| 8 | PT Bank Bumi Arta Tbk | 0,96 | 0,69 | 0,74 | 0,59 |
| 9 | PT Bank CIMB Niaga Tbk | 1,86 | 1,06 | 1,75 | 2,06 |
| 10 | PT Bank Maybank Indonesia Tbk | 1,09 | 0,82 | 1,02 | 0,79 |
| 11 | PT Bank BTPN Tbk | 1,29 | 1,01 | 1,41 | 1,52 |
| 12 | PT Bank BTPN Syariah Tbk | 13,58 | 7,16 | 10,72 | 11,36 |

| | | | | | |
|----|--|------|------|------|------|
| 13 | PT Bank Mega Tbk | 2,90 | 3,64 | 4,22 | 4,00 |
| 14 | PT Bank Woori Saudara Indonesia 1906 Tbk | 1,18 | 1,84 | 2,00 | 2,33 |

Source : *IDX(www.idx.co.id)*

Based on table 2 above, it can be seen that the ability of banks to generate profits has decreased during 2019 and 2020, then slowly increased in the following years. This phenomenon is caused by the debt restructuring policy implemented by the government to save the economy due to the impact of the Covid-19 pandemic, resulting in a decrease in profits earned by banks.

Liquidity is the level of a company's ability to pay its maturing obligations. The value of liquidity can be measured using the Loan to Deposit Ratio (LDR). Loan to Deposit Ratio is a fairly important factor in companies engaged in the financial sector. The management must be able to maintain the Loan to Deposit Ratio at a safe level (in accordance with what is set by Bank Indonesia, which is 80-110%). With the optimal Loan to Deposit Ratio, in its business activities, the bank will always make a profit.

The level of liquidity of a bank has a significant influence on the size of the bank's profit. According to Nico Hadi and Johny Budiman (2023), companies that have too high a liquidity value can indicate that there are many idle company funds, because they are not used efficiently by their management. This can reduce the company's profit ability.

Table 3 Development of Likuditas (LDR) Banking Companies listed on the IDX in 2019-2022

| Numbers | Company Name | LDR | | | |
|---------|---|--------|--------|--------|--------|
| | | 2019 | 2020 | 2021 | 2022 |
| 1 | PT Bank Central Asia Tbk | 80,47 | 65,77 | 61,96 | 65,23 |
| 2 | PT Bank Negara Indonesia (Persero) Tbk | 91,54 | 87,28 | 79,71 | 84,25 |
| 3 | PT Bank Rakyat Indonesia (Persero) Tbk | 88,64 | 83,66 | 83,67 | 79,17 |
| 4 | PT Bank Danamon Indonesia Tbk | 98,85 | 83,96 | 84,56 | 90,97 |
| 5 | PT Bank Pembangunan Daerah Jawa Barat Tbk | 96,07 | 86,32 | 0,82 | 0,85 |
| 6 | PT Bank Pembangunan Daerah Jawa Timur Tbk | 63,34 | 60,58 | 51,38 | 56,50 |
| 7 | PT Bank Mandiri (Persero) Tbk | 96,37 | 82,95 | 80,04 | 77,61 |
| 8 | PT Bank Bumi Arta Tbk | 87,08 | 76,57 | 63,40 | 77,34 |
| 9 | PT Bank CIMB Niaga Tbk | 97,64 | 82,91 | 72,80 | 83,19 |
| 10 | PT Bank Maybank Indonesia Tbk | 94,13 | 79,25 | 76,28 | 86,92 |
| 11 | PT Bank BTPN Tbk | 171,28 | 138,17 | 126,22 | 130,29 |
| 12 | PT Bank BTPN Syariah Tbk | 95,27 | 97,37 | 95,00 | 95,67 |
| 13 | PT Bank Mega Tbk | 69,67 | 60,00 | 60,96 | 68,04 |
| 14 | PT Bank Woori Saudara Indonesia 1906 Tbk | 137,77 | 162,29 | 141,80 | 139,94 |

Source : *IDX(www.idx.co.id)*

Based on table 3 above, it can be seen that the Loan to Deposit ratio of banks has decreased from 2019 to 2020, then slowly increased in the following year. This phenomenon is due to the decline in demand for credit and people who tend to save money and hold back consumption.

Dividend Policy is a policy to determine how much profit should be paid to shareholders and how much should be reinvested. Dividends are the distribution of profits made by the company to shareholders proportionally according to the number of shares owned. This means that investors only receive profits according to the percentage of their investment in the company.

Dividend policy can be used as a means to inform the company's performance. According to the signaling theory put forward by Nindi Isra Sholatika and Triyono (2022) in their research, published company reports can be used as guidelines for shareholders as a consideration in making investment decisions. Company management can provide company reports to maintain investor interest.

Dividend distribution decision is a problem that is often faced by companies because it is related to agency theory where management and investors have their respective interests. Of course, this will be an interesting thing because dividend policy is very important to meet the expectations of shareholders for dividends and on the one hand it also does not have to hinder company growth.

For more details, it can be seen in the following table 4 about 14 banking companies that have increasing DPR in the 2020-2022 period.

Table 4 Development of Dividend Policy (DPR) of Banking Companies listed on the IDX in 2019-2022

| Numbers | Company Name | DPR | | | |
|---------|---|------|------|------|------|
| | | 2019 | 2020 | 2021 | 2022 |
| 1 | PT Bank Central Asia Tbk | 0,28 | 0,44 | 0,43 | 0,51 |
| 2 | PT Bank Negara Indonesia (Persero) Tbk | 0,20 | 0,92 | 0,07 | 0,19 |
| 3 | PT Bank Rakyat Indonesia (Persero) Tbk | 0,41 | 0,95 | 0,44 | 0,54 |
| 4 | PT Bank Danamon Indonesia Tbk | 0,32 | 1,33 | 0,19 | 0,19 |
| 5 | PT Bank Pembangunan Daerah Jawa Barat Tbk | 0,54 | 0,48 | 0,47 | 0,59 |
| 6 | PT Bank Pembangunan Daerah Jawa Timur Tbk | 0,56 | 0,43 | 0,45 | 0,59 |
| 7 | PT Bank Mandiri (Persero) Tbk | 0,32 | 0,78 | 0,36 | 0,37 |
| 8 | PT Bank Bumi Arta Tbk | 0,47 | 0,33 | 0,08 | 0,50 |
| 9 | PT Bank CIMB Niaga Tbk | 0,16 | 0,42 | 0,32 | 0,56 |

| | | | | | |
|----|--|------|------|------|------|
| 10 | PT Bank Maybank Indonesia Tbk | 0,25 | 0,23 | 0,14 | 0,43 |
| 11 | PT Bank BTPN Tbk | 0 | 0,05 | 0,02 | 0,04 |
| 12 | PT Bank BTPN Syariah Tbk | 0 | 0,41 | 0,17 | 0,27 |
| 13 | PT Bank Mega Tbk | 0,31 | 0,26 | 0,69 | 0,65 |
| 14 | PT Bank Woori Saudara Indonesia 1906 Tbk | 0,20 | 0,16 | 0,10 | 0,19 |

Source : IDX(www.idx.co.id)

The phenomenon of ups and downs in stock prices that occur in banking companies is very interesting to discuss. The increase or decrease in share value that occurs can be influenced by external factors and internal factors from the company. External factors, the trigger comes from outside the company and cannot be prevented by banks. These external factors include international trade market competition that is experiencing tension, fluctuations in the exchange rate of the rupiah against foreign currencies, and policies made by the government that have an impact on banks. In contrast to internal factors whose triggers come from within the company itself. The impact given by internal factors can be immediately prevented if it has a negative impact on the company. These internal factors, for example, are actions taken by corporations such as mergers, acquisitions, and achievements that have been made. In addition, the projection of future financial statements is also an internal factor, and finally the cases that befall banks that have an impact on their share prices.

Based on the background that has been stated, researchers are interested in conducting a study with the title "The Role of Dividend Policy in moderating Profitability and Liquidity on the Value of Banking Companies during the pandemic."

MATERIAL AND METHODS

This study uses the Partial Least Square (PLS) data analysis method and is processed using SMARTPLS 4 software. According to Jogiyanto and Abdillah (2015: 161), Partial Least Square (PLS) is a variant-based structural equation analysis (SEM) that can simultaneously test the measurement model and test the structural model. Partial Least Square (PLS) analysis is a multivariate statistical technique that compares the dependent variable and the independent variable.

Meanwhile, according to Ghozali and Kusumadewi (2023: 6), Partial Least Square is a powerful analytical method and is often referred to as soft modeling, because it eliminates the assumptions of OLS (Ordinary Least Square) regression, such as data must be multivariate normally distributed and there is no multicollinearity problem between exogenous variables. The advantage of PLS is that it does not require a large number of samples and does not require

normally distributed data.

The steps of PLS testing with SmartPLS 4 software in this study are model evaluation, hypothesis testing and moderation testing.

RESULTS

Descriptive Statistics

Table 5 Descriptive Statistics

| Name | Mean | Median | Scale min | Scale max | Standard deviation |
|------|--------|--------|-----------|-----------|--------------------|
| ROA | 2.053 | 1.98 | 0.02 | 4.22 | 1.12 |
| LDR | 80.844 | 82.91 | 0.82 | 162.29 | 27.459 |
| PBV | 1.597 | 1.02 | 0.43 | 5.2 | 1.304 |
| DPR | 0.413 | 0.42 | 0.07 | 1.33 | 0.241 |

Source: SmartPLS 4 Output Results (2022)

Based on the results of descriptive statistical calculations in table 5 above, it can be explained as follows:

- a. The profitability variable as measured by the return on asset ratio (ROA) has a total sample size of 48, with a minimum value of 0.02 at PT Bank Pembangunan Daerah Jawa Barat Tbk in 2021 and 2022 and a maximum value of 4.22 at PT Bank Mega Tbk in 2021, while the average value (mean) is 2.053, the median value is 1.98 and the standard deviation value (standard deviation) is 1.12.
- b. The liquidity variable as measured by the loan to deposit ratio (LDR) has a total sample size of 48, with a minimum value of 0.82 at PT Bank Pembangunan Daerah Jawa Barat Tbk in 2021 and a maximum value of 162.29 at PT Bank Woori Saudara Indonesia 1906 Tbk in 2021, while the average value (mean) is 80.844, the median value is 82.91 and the standard deviation value (standard deviation) is 27.459.
- c. The firm value variable as measured by the price to book value ratio (PBV) has a total sample size of 48, with a minimum value of 0.43 at PT Bank Woori Saudara Indonesia 1906 Tbk in 2021 and a maximum value of 5.2 at PT Bank Mega Tbk in 2019, while the average value (mean) is 1.597, the median value is 1.02 and the standard deviation value (standard deviation) is 1.304.
- d. The dividend policy variable as measured by the dividend payout ratio (DPR) has a total sample size of 48, with a minimum value of 0.07 at PT Bank Negara Indonesia (Persero) Tbk in 2021 and a maximum value of 1.33 at PT Bank Danamon Indonesia Tbk in 2020,

while the average value (mean) is 0.413, the median value is 0.42 and the standard deviation value (standard deviation) is 0.241.

Structural Model Evaluation (inner model)

Table 6 Inner Model Evaluation

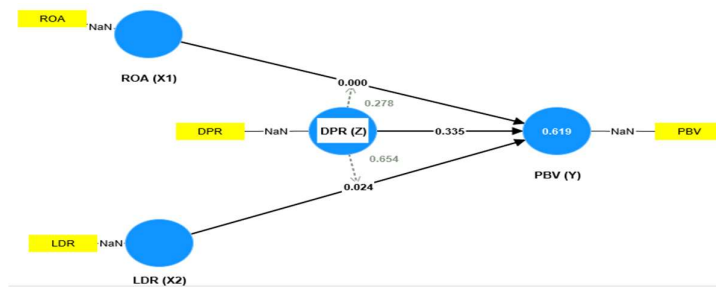
| | <i>R-square</i> | <i>R-square adjusted</i> |
|-----|-----------------|--------------------------|
| PBV | 0,619 | 0,574 |

Source: SmartPLS 4 Output Results (2022)

Based on table 6 above, it shows that the adjusted R-square value is 0.574 or 57.4%. This value indicates that the ability of the independent variables, namely profitability, liquidity and dividend policy in explaining the dependent variable, namely firm value, is 57.4%. While the remaining 42.6% is explained by other variables not examined in this study.

Hypothesis Test

The results of the research hypothesis test can be seen in Figure 1 and Table 7 below.



Source: SmartPLS 4 Output Results (2022)

Table 7 Hypothesis Test

| | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics (O/STDEV) | P Values |
|-------------------------------|---------------------|-----------------|----------------------------|--------------------------|----------|
| DPR (Z) -> PBV (Y) | 0.142 | 0.129 | 0.148 | 0.965 | 0.335 |
| DPR (Z) x LDR (X2) -> PBV (Y) | 0,074 | 0.093 | 0.166 | 0.448 | 0.654 |
| DPR (Z) x ROA(X1) -> PBV (Y) | 0.176 | 0.174 | 0.162 | 1.084 | 0.278 |
| LDR (X2) -> PBV (Y) | -0.271 | -0.267 | 0.120 | 2.252 | 0.024 |
| ROA (X1) -> PBV (Y) | 0.673 | 0.683 | 0.112 | 5.989 | 0.000 |

Source: SmartPLS 4 Output Results (2022)

Based on table 7 above, the analysis equation in this study is as follows:

$$PBV = 0,673ROA - 0,271LDR + 0,142DPR + 0,176DPR*ROA + 0,074DPR*LDR$$

Based on the results of hypothesis testing and the equation above, it can be explained as follows:

a. Effect of Profitability on Company Value

From the results of hypothesis testing, the T statistic value of 5.989 is greater than 1.96 ($5.989 > 1.96$) and the P-value of 0.000 is smaller than 0.05 ($0.000 < 0.05$). The original sample value is positive, namely 0.673, which indicates that the direction of the relationship between profitability and firm value is positive. The original sample value of 0.673 means that if profitability increases by 1 unit, the company value will increase by 0.673. Based on the results of testing the hypothesis, H1 is accepted, which means that profitability has a positive and significant effect on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period.

b. Effect of Liquidity on Firm Value

From the results of hypothesis testing, the T statistic value of 2.252 is greater than 1.96 ($2.252 > 1.96$) and the P-value of 0.024 is smaller than 0.05 ($0.024 < 0.05$). The original sample value is negative at -0.271 which indicates that the direction of the liquidity relationship to firm value is negative. The original sample value of -0.271 means that if liquidity increases by 1 unit, the company value will decrease by 0.271. Based on the results of testing the hypothesis, H2 is accepted, which means that liquidity has a negative and significant effect on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period.

c. The Effect of Dividend Policy on Firm Value

From the results of hypothesis testing, the T statistic value of 0.965 is smaller than 1.96 ($0.965 < 1.96$) and the P-value of 0.335 is greater than 0.05 ($0.335 > 0.05$). The original sample value is positive, namely 0.142, which indicates that the direction of the relationship between dividend policy and firm value is positive. The original sample value of 0.142 means that if the dividend policy increases by 1 unit, the firm value will increase by 0.141. Based on the results of testing this hypothesis, H3 is rejected, which means that dividend policy has no effect on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period.

d. The Effect of Profitability on Firm Value with Dividend Policy as a moderating variable.

From the results of hypothesis testing, the T statistic value of 1.084 is smaller than 1.96 ($1.084 < 1.96$) and the P-value of 0.278 is greater than 0.05 ($0.278 > 0.05$). The original sample value is positive at 0.176 which indicates that the dividend policy strengthens the effect of profitability on firm value. The original sample value of 0.176 means that if the dividend policy increases by 1 unit, it can strengthen the effect of profitability on firm value by 0.176. Based on the results of testing this hypothesis, H4 is rejected, which means

that dividend policy cannot moderate the effect of profitability on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period. These results indicate that the type of moderation that occurs is potential moderation or moderator homologizer because the interaction effect of dividend policy as a moderating variable with profitability on firm value and the effect of dividend policy on firm value are both insignificant.

e. The Effect of Liquidity on Firm Value with Dividend Policy as a moderating variable.

From the results of hypothesis testing, the T statistic value of 0.448 is smaller than 1.96 ($0.448 < 1.96$) and the P-value of 0.654 is greater than 0.05 ($0.654 > 0.05$). The original sample value is positive at 0.074 which indicates that the dividend policy strengthens the effect of liquidity on firm value. The original sample value of 0.074 means that if the dividend policy increases by 1 unit, it can strengthen the effect of liquidity on firm value by 0.074. Based on the results of testing this hypothesis, H5 is rejected, which means that dividend policy cannot moderate the effect of liquidity on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period. These results indicate that the type of moderation that occurs is potential moderation or homologizer moderator because the interaction effect of dividend policy as a moderating variable with liquidity on firm value and the effect of dividend policy on firm value are both insignificant.

DISCUSSION

Effect of Profitability on Company Value

The results showed that profitability as measured by return on asset ratio (ROA) has a positive and significant effect on firm value as measured by price to book value ratio (PBV) in banking companies listed on the Indonesia Stock Exchange for the period 2019-2022. This means that the higher the profit generated, the better the value of the banking company in the eyes of investors, and conversely the lower the profit generated, the lower the value of the banking company in the eyes of investors.

High profitability indicates that a company has good prospects in generating profits in a period. The higher the profitability ratio as measured by the return on assest ratio (ROA), the more efficient the company's management is in managing the resources entrusted to it. This will certainly get a positive response from investors, because investors tend to be interested in investing in companies that provide high returns. The high interest of investors to invest in companies that have a high level of profitability will cause the company's stock price to increase, so that in the end it will have an impact on increasing the value of the company. Vice

versa, a low profitability value will cause a decrease in company value..

Based on the data on the development of ROA of banking companies for the 2019-2022 period previously presented, the average profitability of banking companies has decreased in 2020 then slowly increased in 2021 and 2022. This is due to the covid-19 pandemic which has resulted in limited space for movement and mobility of the community, which has an impact on the decline in the national economy. Policies carried out by the government to restore the economy due to the impact of the co-19 pandemic also played a role in increasing bank profitability in 2021 and 2022.

The results of this study are in line with signal theory which states that the higher the profit of a company, the better it will signal to investors so that it will increase the company's value (Wijayaningsih and Agung Yulianto, 2021). This is because the high and low prospect of the company's future ability to generate income or profit is a variable that determines the rise and fall of the company's value in signaling to investors.

The results of this study are not in accordance with research conducted by Robiyanto, et.all (2020) and Lelly Wulan Yuni (2022) which state that profitability has a negative impact on firm value.

The results of this study are in line with research conducted by Shinta Wijayaningsih and Agung Yulianto (2021) and Kanta, et.all, (2021) which state that profitability has a positive and significant effect on firm value.

The Effect of Liquidity on Firm Value

The results showed that liquidity as measured by loan to deposit ratio (LDR) has a negative and significant effect on firm value as measured by price to book value ratio (PBV) in banking companies listed on the Indonesia Stock Exchange for the period 2019-2022. This means that the higher the liquidity of a bank, the lower the company value in the eyes of investors, and vice versa the lower the liquidity of a bank, the better the company value in the eyes of investors.

High liquidity in a bank indicates a declining bank performance in channeling funds obtained in the form of credit. So that third party funds cannot be managed optimally and cause the bank to pay a greater interest expense. This will have a negative impact on investors, because banks are considered unable to manage their resources optimally. The greater the interest expense that must be paid by the bank will cause a decrease in profits which will have an impact on reducing the amount of dividends to be received by investors.

Based on the data on the development of LDR banking companies for the 2019-2022 period previously presented, the average liquidity of banking companies has increased in 2020

and 2021 then slowly decreased in 2022. This is due to the covid-19 pandemic which has resulted in limited space for movement and mobility of the community, which has an impact on the decline in the national economy. People also tend to hold back consumption, causing a decrease in the amount of credit that can be channeled by banks, people also prefer to keep cash in banks, causing the interest expense that must be paid by banks to increase.

The results of this study contradict the theory put forward by Damayanti and Sucipto (2022), where the more liquid a company is, the greater the trust of creditors who lend money to increase company prices from the point of view of creditors and traders. This means that high liquidity shows the strength of the company in terms of the ability to meet current debt from current assets owned so that this increases the trust of outsiders in the company.

However, the results of this study are in line with the trade-off theory which shows that debt is beneficial because the interest arising from debt can be used as a tax deduction, but debt can also incur costs associated with actual or potential bankruptcy (Caesaria and Suhartono, 2023).

The results of this study are not in accordance with research conducted by Fredella Colline (2022) which states that liquidity has a positive effect on firm value and Avista, et.all, (2021) which states that liquidity has no effect on firm value. The results of this study are in line with research conducted by Ranti Damayanti and Agus Sucipto (2022) which states that liquidity has a negative effect on firm value.

The Effect of Profitability on Firm Value with Dividend Policy as a Moderating Variable

The research results show that dividend policy cannot moderate the influence of profitability on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period. This means that the size of the dividend given by the company cannot strengthen or weaken the relationship between profitability and company value.

According to the theory of dividend irrelevance put forward by Modigliani Miler et al, (1961) said that the value of a company does not depend on the large proportion of dividends distributed to shareholders. Dividend policy has no effect on company value because investors only want to take advantage in the short term by obtaining capital gains. Apart from that, giving dividends is considered by investors as an obligation that must be carried out by the company in sharing the profits obtained. Therefore, investors tend to pay more attention to how big the company's ability to generate profits is compared to the amount of dividends that will be given.

Based on the average development data presented previously, the movement of profitability is not in line with the movement of company value, so that the average value of dividend policy which fluctuates each year cannot strengthen the relationship between

profitability and company value. Therefore, the size of the dividend given cannot influence the relationship between profitability and company value.

Based on data, the average profitability of banking companies in 2020 decreased, but the company decided to provide larger dividends in 2020. This was done to attract investor confidence in banking performance during the pandemic due to Covid-19. Therefore, dividend policy is unable to influence the relationship between profitability and company value. The results of this research are in line with research conducted by Kanta, et.al, (2021) which states that dividend policy cannot moderate the effect of profitability on company value.

The Effect of Liquidity on Company Value with Dividend Policy as a Moderating Variable

The research results show that dividend policy cannot moderate the influence of liquidity on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period. This means that the size of the dividend given by the company cannot strengthen or weaken the relationship between liquidity and company value.

Banking with a large level of liquidity means having a larger amount of short-term debt. The more liquid funds that banks have, it means that the bank's performance in disbursing credit is not optimal and this has an impact on reducing the profits generated. This is what is more of a major concern for investors. Because when investing the funds they have, investors tend to pay more attention to the company's performance in generating profits.

Based on the average development data presented previously, liquidity movements are not in line with movements in company value, so that the average value of dividend policy which fluctuates each year cannot strengthen the relationship between liquidity and company value. Therefore, the size of the dividend given cannot affect the relationship between liquidity and company value. The results of this research are in line with research conducted by Nico Hadi and Johnny Budiman (2023) which states that dividend policy cannot moderate the effect of liquidity on company value.

CONCLUSION

The conclusions from the results of this research are:

- Profitability has a positive and significant effect on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period.
- Liquidity has a negative and significant effect on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period.

- Dividend policy has no effect on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period.
- Dividend policy cannot moderate the influence of profitability on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period.
- Dividend policy cannot moderate the influence of liquidity on the value of banking companies listed on the Indonesia Stock Exchange for the 2019-2022 period.

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