LQ45 Companies: Determinant Deviden Policy To The Value Of Companies With Cash Holding As A Moderation Variable

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ABSTRACT

The rapid development of the business world at this time, which can be seen from the emergence of various competing companies with their respective advantages makes each company must continue to make changes and updates. This makes the competition in the business world continue to move and experience the dynamics of change very quickly. Each company will continue to compete to increase and maximize its profits and profits. The purpose of this study is to determine the influence of dividend policy, cash holding on company value, and the influence of dividend policy on the value of companies moderated by cash holdings in LQ45 companies on the Indonesian stock exchange in 2012 - 2019. The data used in this study is secondary data from the Indonesia Stock Exchange (IDX). Sampling techniques using purposive sampling methods so that 22 companies were obtained. This research data analysis technique is multiple linear regression and Moderated regression analysis test, data processed using IBM SPSS Statistics. The results of this study showed that dividend policies had a significant effect on the value of the company, cash holding did not affect the value of the company, and cash holding did not moderate the dividend policy on the value of the company.

Introduction

Maximizing the company's profit or profit is one of the main goals of the company. Profit of the company is one form of financial performance of a company, the more profit or profit of a company, the better the performance of the company will be considered the better. Furthermore, when the profit is maximal, it will certainly have an impact on the prosperity of the company owner or capital, increasing the value of the company (Houston, 2011)

Increased company value can be achieved by maximizing every function of financial management because every policy made by financial management will affect other financial decisions that will have an impact on the value of the company (Sukirno,
2013) The value of the company can be known by the formula Tobin's Q. Tobin's Q is a ratio first introduced by James Tobin in 1969. Explaining that the value of a company is the value of a combination of tangible assets and intangible assets. Tobin's Q value for a company is low, which is between 0 to 1, indicating that the cost of replacing the company's assets is greater than the market value of the company, meaning that the company is undervalued by the market.

This study uses LQ45 companies due to a decline in financial performance such as MYOR, which experienced a 30% decrease in the share price where the original share price of Rp3,100 in 2018 fell dramatically in 2019 to Rp.2100 (Kurniawan, 2019). Not only MYOR, other companies also experienced the same thing, even noteworthy. During the first nine months of 2017, three of the four largest issuers in the sub-sector recorded weak economic performance. The four issuers are PT Indofood CBP Sukses Makmur Tbk (ICBP), PT Indofood Sukses Makmur Tbk (INDF), PT Mayora Indah Tbk (MYOR) and PT Ultrajaya Milk Industry & Trading Company Tbk (ULTJ). The weakening of the economic performance of each company naturally results in fluctuations in the value of the company (Kevin, 2018). The decline in stock prices in some of these companies will have an impact on the decline in the value of the company.

Some research on the value of the company, Firmansyah, Setiawan, & Fathurahman, (2020) found that debt policy and good corporate governance do not affect the value of the company, while cash holding harms the value of the company. Then research conducted by Ovami, D.C., & Nasution, (2020) found that dividend policy influences the value of companies listed in the LQ 45 Index on the Indonesia Stock Exchange. Khoiroh, M., & Subardjo, (2020) who researched with 2 models of equations with results that showed that the results of structural equation 1 research showed that investment opportunities had a positive effect on dividend policy, capital structure and cash holdings did not affect dividend policy. The results of structural equation 2 show that the structure of capital and investment opportunities have a positive effect on the value of the company, and cash holdings have no effect on the value of the company. The results of intervening variable testing show that dividend policies can mediate the influence of investment opportunities on the value of the company, and dividend policies cannot mediate capital structures to the value of the company, and dividend policies cannot mediate cash holdings to the value of the company. According to (Nursanita et al., 2019) research found that managerial ownership and, institutional ownership have no effect on the value of the company, According to Hariani, (2017) dividend payout ratio (DPR) affects the value of the company, Cash Holdings (CH) has no effect on the value of the company.

Different research by Laksmi & Budiartaha, (2020) found that dividend policy negatively affects the value of the company, and debt policy moderates the positive influence of dividend policy on the value of the company. The dividend policy succeeded in improving the management of the company. Debt policy can moderate the
dividend policy because at the time of distributing dividends dividend decisions are determined by the amount of debt. The availability of cash is very important for the company because cash is the most liquid form of assets and can be used immediately to meet the company's operational needs. The existence of cash in a company is very important because without cash will result in the company's activities cannot run, therefore in maintaining the level of cash holding to be at the optimal point, good management is needed. The provision of cash holding policies in each company has a different purpose. The company has three reasons for running a cash holding. According to Afza & Adnan, (2007) the Company compiles cash at an optimal level taking into account the costs and marginal profits of holding cash, therefore the inconsistent results then this study wants to retest the influence of Leverage, Dividend Policy on The Value of Companies With Cash Holdings As A Moderation Variable (Study on LQ45 Companies on the Indonesia Stock Exchange 2012 - 2019).

**Literature Review**

**Signaling Theory**

This theory was first put forward by Michael Spence in his 1973 article the theory states that investment expenditures give a positive signal to the company's growth in the future, thus increasing the stock price as an indicator of the value of the company Mariani & Suryani, (2018) debt increase can also be interpreted by outsiders about the company's ability to pay its obligations in the future and low business risk, So the addition of debt will give a positive signal (Houston, 2011) because companies that increase debt can be viewed as companies that are confident in the company's prospects in the future.

**Company Value**

The book value per common share indicates the amount of shareholder equity relating to each common share outstanding (Copeland, 1968) In other words, the book value is calculated by the quotient between common stock equity and the number of common shares outstanding. The book value of equity itself is the difference between the book value of an asset and the book value of the liability. The measurement of the book value of the asset is generally expressed through the value of the asset at the time it is purchased minus depreciation from the age / economic age of the asset. While the book value of the liability value is an obligation that the company carries out at the time of assessment. While the number of common shares outstanding is the number of shares issued by the company in a given period.

**Dividends Policy**

Dividends are part of the profits or profits that are distributed to shareholders. The amount obtained is proportional to the number of shares owned by the
shareholders and adjusted to the profits earned by the company. The value and timing of dividend payments are determined by the General Meeting of Shareholders (GMS), and the value distributed ranges from zero to approximately the current or last year's net income (Griffin, 2016). Dividend policy is a decision whether the profits earned by the company will be distributed to shareholders as dividends or will be retained in the form of retained earnings for financing future investments (Agus, 2013), according to research Febriana, Panjaitan, & Astuti, (2018), Wati, Srijanto, & Khaerunnisa, (2018), Astianah, & Aji., (2017), Senata, (2016), Widyawati., (2018) that dividend policy has a significant positive effect on firm value. Based on theoretical studies, empirical studies and previous research, the hypotheses proposed in this study are as follows:

H1: Dividend policy affects firm value

Cash Holding

Cash is the most liquid asset owned by the company, this is because most of the company's activities require cash in their transaction activities. Cash owned by the company can be used as a tool to pay debts, purchase raw materials, rent buildings, and so on. Cash Holding is cash owned by the company in fulfilling its daily activities. According to (Sumiati, 2020) cash holding is defined as cash on hand or available for investment in the form of physical assets and to be distributed to investors and finds that cash holding has a significant effect on firm value, Cash holding is useful to avoid liquidation of assets, for investment financing, distributed as dividends and used as reserves for unexpected events. Determining the level of cash holding is one of the important issues in making corporate decisions that must be taken by financial managers. Optimal cash holdings are cash that must be maintained by the company so as not to experience excess or shortage, and must be provided within a predetermined amount limit. Research conducted by Azmat, (2014), Bayu & Septian, (2015) who examined industrial companies in the United States in 2001-2007 stated that the optimal level of cash holdings was around 14% of total assets. At this optimal point, investors have a good perception of profitability and company survival (going concern), According to Eliana, (2018), Nofiyanti & Subardjo, (2020), Febriana, Panjaitan, & Astuti, (2018) that cash holding has a significant effect on firm value is different from Andriani, (2019) that the level of cash holding and net working capital has a negative effect on firm value but is not significant. Based on theoretical studies, empirical studies and previous research, the hypotheses proposed in this study are as follows:

H2: Cash Holding has an effect on firm value

H3 : Cash Holding moderates dividend policy on firm value

Method
This research uses descriptive research type. The type of research used in this research is quantitative research. The population used in this study is an LQ45 company listed on the Indonesia Stock Exchange (IDX) from 2012-to 2019. The sample determination method used in this study is the purposive sampling technique, as for the sample determination criteria used in this study, namely:

<table>
<thead>
<tr>
<th>No</th>
<th>Criterion</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LQ45 Companies on Indonesia Stock Exchange Know 2012-2019</td>
<td>360</td>
</tr>
<tr>
<td>2</td>
<td>LQ 45 companies do not distribute dividends during 2012-2019</td>
<td>(58)</td>
</tr>
<tr>
<td>3</td>
<td>LQ 45 companies that experience outlier data</td>
<td>(33)</td>
</tr>
<tr>
<td>4</td>
<td>Total Research Observations</td>
<td>269</td>
</tr>
</tbody>
</table>

Table 2. Research instruments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicators</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend Policy (X1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DPR</td>
<td>(\text{dividend per share} \div \text{earning per share})</td>
<td>Ratio</td>
</tr>
<tr>
<td>Company Value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependent Variables (Y)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(PBV)</td>
<td>(\text{closing price of the stock} \div \text{book value per share})</td>
<td>Ratio</td>
</tr>
<tr>
<td>Cash Holding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Z)</td>
<td>(\text{Cash Holding} = \frac{\text{Kas setara kas}}{\text{total asset}})</td>
<td>Ratio</td>
</tr>
</tbody>
</table>

Result and Discussion

Test t (partial)

Multiple Regression Test

Table 3. Multiple Regression Test

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
</table>
Multiple Regression Equations

PBV = 1,212 + 0.254DPR + 0.048CH + e

Information
PBV= Company value
DPR= Deviden Policy
CH =Cost Holding

Moderated Regression Analysis
MRA Model Equation

Table 4. Moderated Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.369</td>
</tr>
<tr>
<td></td>
<td>DPR</td>
<td>.395</td>
</tr>
<tr>
<td></td>
<td>CH</td>
<td>.111</td>
</tr>
<tr>
<td></td>
<td>DPR*CH</td>
<td>.055</td>
</tr>
</tbody>
</table>

Source: author processed data (2021)
Effect of Dividend Policy on Company Value

The results of the DPR variable multiple regression test has a sig value of 0.000 this value is smaller than the alpha significant (0.05) so it can be concluded that the DPR has a significant influence on the value of the company. Dividend policy can be projected through the dividend payout ratio (DPR). Increased dividend payments contain information about how the company is doing. Companies that can increase dividend pay shows that the company can improve their performance so that they can pay more dividends. The results of this study are in line with research conducted by Hariani, (2017) which found that dividend policies have a significant influence on the value of companies. Likewise, research conducted by Putri & Rachmawati, (2018) states that dividend policy has a significant effect on the value of the company.

The Effect of Cash Holding on the Value of the Company

The results of the double regression test, Variable Cash Holding has a sig value of 0.336 this value is smaller than the alpha significant (0.05) so it can be concluded that CH does not have a significant influence on the value of the company. this shows that this supports the theory of order pecking by Humendru & Pangaribuan, (2018) that there is no optimal cash balance level, The company's end-of-year cash balance (cash holding) is the remaining operating activity of the company, this is contrary to the trade-off theory that supports the optimal cash holding that is the cash balance that is maintained or becomes the target of the company's management because it is believed that at this point the cash balance is at an optimal point where the benefits of owning cash holdings outweigh the consequences of having cash holdings. The results of this study are in line Hariani, (2017) where the optimal influence of cash holdings and deviations from optimal cash holdings on the value of the company because the results do not support the existence of optimal cash holdings.

Effect of Dividend Policy on Company Value in Moderation by Cash Holding

The results of the Moderated Regression Analysis Test, the variable interaction between DPR and CH has a sig value of 0.340 this value is greater than the alpha significant (0.05) so it can be concluded that the Cash Holding variable cannot moderate the dividend policy to the company's value. This suggests that Bird In The Hand Theory theory reveals that shareholders prefer high dividends because of the assumption that getting dividends is currently less risky than capital gains in the future. , if it is connected with a cash holding that can be used for several things, including distributed to shareholders in the form of dividends, treat the repurchase of the company's shares, making investments, or keeping them for future interests. There are consequences and benefits of the cash holdings policy. The benefit of the cash holdings policy is that it can meet the three motives of the company to have cash, namely the motive of the transaction, the motive of vigilance, and the motive of speculation. This is in line with research Hariani, (2017) which shows a negative influence on the decision to hold cash
in the company. This suggests that companies with high cash holdings will cause investors to worry that managers have more power to squander company resources on a project that will damage the value of the company itself.

Conclusion

A partial dividend policy has a significant influence on the value of the company, this indicates that the dividend policy is to determine how much or proportion of profit will be distributed as dividends, the increased dividend payment contains information about how the company is conditioned. Companies that can increase dividend payments show that they company can improve their performance.

Cash Holding partially has an insignificant influence on the value of the company, supporting the theory of pecking orders by (Humendru & Pangaribuan, 2018) that there is no optimal cash balance level, the company's end-of-year cash balance (cash holding) is the rest of the company's operating activities, this is contrary to the trade-off theory that supports the existence of optimal cash holding, namely cash balances that are maintained or targeted by the company's management because it is believed in. This point the cash balance is at the optimal point where the benefits of owning cash holdings outweigh the consequences of owning cash Holdings.

Cash holding does not moderate The dividend policy to the value of the company, this shows that in theory Bird In The Hand Theory reveals that shareholders prefer high dividends because of the assumption that getting dividends is currently a smaller risk than capital gains in the future if it is connected with cash holding that can be used for several things, Among other things: distributed to shareholders in the form of dividends, treating company share buybacks, making investments, or storing them for future interests and showing that companies with high cash holdings will cause investors to worry that managers have more power to squander company resources on a project that will damage the value of the company itself.

References


Holding Dan Reputasi Auditor Terhadap Nilai Perusahaan. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, Volume 9 N.


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