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Accounting Treatment of Dividend Policy in Moderating Company Performance on Company Valuation

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Abstract
This study aims to determine the accounting treatment of dividend policy in moderating the company's performance against the company's valuation in companies included in the LQ45 index for the 2018-2022 period. This study uses secondary data whose source comes from the annual financial statements on the Indonesia Stock Exchange, especially companies included in the LQ45 index. The analysis techniques used in this study are multiple regression analysis and Moderated Regression Analysis (MRA). This study shows the results that profitability proxied by return on equity has no effect on the company's valuation, the solvency ratio proxied by the debt to equity ratio has a significant influence on the company's valuation in a negative direction and the dividend policy proxied by the dividend payout ratio Able to moderate the ratio of profitability to company valuation and dividend policy is unable to moderate the ratio of solvency to company valuation which is proxied by the dividend discount model.

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Kata kunci
Kebijakan Dividen;
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Penilaian Perusahaan.

Abstrak
Penelitian ini bertujuan untuk mengetahui perlakuan akuntansi kebijakan dividen dalam memoderasi kinerja perusahaan terhadap valuasi perusahaan pada perusahaan yang termasuk dalam indeks LQ45 periode 2018-2022. Penelitian ini menggunakan data sekunder yang sumbernya berasal dari laporan keuangan tahunan di Bursa Efek lndonesia, terutama dari perusahaan yang termasuk dalam indeks LQ45. Teknik analisis yang digunakan dalam penelitian ini adalah analisis regresi berganda dan Moderated Regression Analysis (MRA). Penelitian ini menunjukkan hasil bahwa profitabilitas diproxied oleh return on equity tidak mempengaruhi valuasi perusahaan, rasio solvabilitas diproxied oleh rasio utang terhadap ekuitas memiliki pengaruh yang signifikan terhadap valuasi perusahaan ke arah negatif, dan kebijakan dividen diproksikan oleh rasio pembayaran dividen yang mampu memoderasi rasio profitabilitas terhadap valuasi perusahaan dan kebijakan dividen tidak mampu memoderasi rasio solvabilitas terhadap valuasi perusahaan yang diproksikan oleh Model Diskon Dividen.

1. Introduction

At the end of 2019, an infectious disease appeared in Wuhan City, Hubei Province, China. *Coronavirus Disease* (*Covid 19*) is a disease that plagues almost the entire world. This very fast and uncontrollable spread has been declared a pandemic and strategic steps are needed to overcome it (Mulyadi et al., 2020). Indonesia is one of the affected countries *COVID 19*. Due to the pandemic *COVID 19* occurred, the enactment of Large-Scale Social Restrictions (PSBB) which was implemented throughout Indonesia. This large-scale social restriction policy has an impact on changes in the social structure and economic activities carried out by the Indonesian people.

As a result of the outbreak, Indonesia's economy shrank sharply and was on the verge of an economic recession. One way to overcome these problems is to restore the Indonesian economy by investing in the capital market (Hidayah & Dwiyanto, 2023). According to Maulana (2023) The capital market is a meeting place for interested parties to invest with those who will make investments. Investment is a commitment of a number of funds that are carried out today with the aim of obtaining a number of profits in the future. Investment can be related to the planting of a number of *asset real* and on *asset financial*. The term for people who make investments is referred to as investors.

The number of investors in the Indonesian capital market in 2019 was 2,484,354 investors, an increase of 56.21% to 3,880,753 in 2020, and in 2021 to 7,489,337, which is 92.99% and in the first quarter of 2022 to 8,397,538 (Purwanti, 2022). The increasing number of investors in the capital market is one of the positive factors in reviving the Indonesian economy from the pandemic *COVID 19* And this increase in the number of investors is good news. However, the increase in the number of investors occurred amid the decline in the company's performance on the Indonesia Stock Exchange (IDX).

Mulyadi et al. (2020) shows that stock performance has declined during the pandemic *COVID 19* last. Still with the results of the research of Mulyadi et al. (2020) which stated that the performance of LQ45 shares on the Indonesian stock exchange during the pandemic has decreased. The situation experienced caused problems in the stock index. A stock index is a statistical measure that reflects the overall price movement of a group of selected stocks based on certain criteria and methodologies and is evaluated periodically. Currently, the number of stock indices on the Indonesia Stock Exchange is 42 stock indices. The following is presented figure 1, regarding *historical performance* on the LQ45 index.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023**
LQ45	26.4%	-11.9%	11.7%	22.0%	-9.0%	3.2%	-7.8%	-0.4%	0.6%	0.1%
JCI	22.3%	-12.1%	15.3%	20.0%	-2.5%	1.7%	-5.1%	10.1%	4.1%	-0.7%
IDX30	27.4%	-10.2%	15.0%	24.4%	-8.8%	2.4%	-9.3%	-1.0%	-1.8%	0.0%

** 31-Mar-23

Figure 1. Historical Performance of the LQ45 Index in 2014-2023
Sumber: www.idx.co.id, 2023.

Based on figure 1, it can be seen that *the historical performance* on the LQ45 index as measured by stock prices has increased and decreased every year or is *volatile*. The graph shows the number of total increases or decreases in stock prices every month. The decline in performance in the LQ45

index occurred in 2018, 2020 and 2021. At the time before the pandemic, the LQ45 index saw a decline of -9.0% in 2018. The LQ45 Index has declined for two consecutive years in 2020 by -7.8% and in 2021 by -0.4%, at which time the *covid 19* pandemic occurred. In 2022, there was an increase of 0.6% after the pandemic ended.

The LQ45 Index is an index that is widely known by investors, both new and old investors. The LQ45 Index is an index that measures the stock price performance of 45 stocks of companies with relatively large market capitalization, high liquidity and good fundamentals. The company's fundamentals are one of the factors for the increase in stock prices, where companies that have good fundamentals will result in an upward trend in stock prices and vice versa. The source of information about the company's fundamentals can be known through financial statements. In PSAK No.1 regarding the presentation of financial statements, where financial statements consist of financial position statements (balance sheets), income statements, equity change statements, cash flow statements and notes on financial statements.

Financial statements have the purpose of providing information regarding the financial position, financial performance and cash flow of an entity that is useful to most users of financial statements in making decisions. In PSAK No.1, many investors and lenders or creditors cannot require entities to provide information directly to them and must rely on financial statements to find out the information needed. In financial accounting, the accounting system in which the user of information is external parties of the company's organization such as creditors, governments, shareholders, investors and so on (Rudianto, 2012). Financial reports are prepared for users who have sufficient knowledge of business activities to review and analyze information.

According to Hidayah & Dwiyanto (2023) Financial Statement Analysis is a step to review and describe the contents of financial statements based on the elements of the account and to examine the relationship between the posts or accounts in question to obtain a complete and reasonable understanding of the financial statements. The analysis of financial statements needs to be carried out carefully using the right methods and analysis techniques so that the expected results are really accurate (Kasmir, 2019). Based on the analysis of financial statements, investors can find out the comparison between the intrinsic value of the company's valuation compared to the market price of the company's shares.

A company with good profitability, namely if the company is able to meet the profit target that has been set using the capital it has. According to Sembiring & Trisnawati (2019) The increase in profits will reflect that the company has a good performance, thus giving a positive signal to investors. Research results according to Utami & Darmawan (2018) menunjukkan *return on equity* has no effect on the stock price. High profits will provide good prospects for the company, so it can trigger investors to invest in the company by increasing the demand for shares (Putri et al., 2023). The company's performance can also be done by analyzing the solvency ratio.

The debt to equity ratio compares the total debt with the total capital of a company. The choice of this ratio is because a company cannot be separated from debt. In the balance sheet report, the portion of assets must be balanced with the company's liabilities and equity. Users of financial statements will pay attention to the debts owned by a company, whether the company's debt is high or not. The company that makes the loan is obliged to repay the loan for the sake of the company's continuity. From the capital owned, it can be known whether the company is able to pay off the company's debt by using *the debt to equity ratio*.

In this study, dividend policy is used to find out whether dividend policy is able to moderate the influence of company performance on company valuation. Deep *bird in the hand theory*, stating that investors prefer cash dividends to be promised returns on investments in the form of *capital gain* in the future. Dividend policy is a policy related to the determination of profits between using profits to be paid to shareholders as dividends or used in the company (Kurnia, 2019). Based on research conducted by Ovami & Nasution (2020) states that dividend policies have an influence on the value of the company.

A company's valuation that can be analyzed well will have a good impact on shareholders and company owners. When an investor knows that the influence of a company's performance on a

company's valuation can be moderated by a dividend policy, then the signals he receives can change. This will create a new basis for determining the company's valuation in increasing the company's growth and providing signals for investors.

2. Relationship between Variables

2.1. The Effect of Profitability on Company Valuation

The signalling theory can provide an explanation to investors who will invest in a company to be able to provide information signals, so that if there is a signal that is a good form of information for investors, there will be a change in the trading volume of the stock price of the company which can affect the company's valuation. In *signal theory*, *signalling theory* is a process that aims to convince investors that the company's condition is in good condition. Company signals can be obtained through the influence of profitability on the company's valuation.

Profitability is a ratio that describes the company's ability to generate profits. Research conducted by Santoso & Junaeni (2022) that profitability partially has a positive effect on the company's value. Value *return on equity* The higher the valuation, the higher the company's valuation. Siahaan & Herijawati Research (2023) indicates that *return on equity* have a significant and positive influence on the company's value. Partially, the profitability ratio has a significant effect on the value of the company in Sukirno & Murni's research (2023). The better and more stable a company is in generating profits, the stronger the investor's decision to invest in the company.

A good signal can be obtained when it is known and understands the company's ability to use its resources efficiently in generating profits. In the profitability ratio that is proxied by *return on equity* is the return on equity to measure net profit after tax with own capital. The increase in profit causes the stock price to rise, thereby increasing the company's valuation. In the *return on equity ratio*, the higher this ratio is, the better. This means that the position of the company owner is getting stronger and gives a positive signal. Therefore, it can be concluded that profitability affects the company's valuation.

H_1 = Profitability affects the company's valuation.

2.2. The Effect of Solvency on Company Valuation

Agency theory assumes that all individuals act in their own interests. Agency *theory* shows how conflicts exist on the one hand between owners and managers, while on the other hand between owners and managers and creditors. The use of debt by companies must be done carefully in order to benefit the company and reduce the risk to the company which will later cause conflicts for the parties involved. In the solvency ratio that is proxied with *the debt to equity ratio* , it can describe the adequacy of equity in guaranteeing the overall debt owned by the company.

Wibowo Research (2021) indicates that *debt to equity ratio* have a positive effect on the company's value. In line with research that shows that solvency has a significant influence simultaneously and has a real effect partially on the company's value (2022). Based on Anggita's research (2022) shows that solvency affects the value of the company because a high solvency level can increase *earning per share*, because the company has to pay interest on the debt which results in an increase in the company's valuation.

A company that has debt makes a company able to carry out operational activities properly. Providing information about total debt to investors allows investors to assess a company. With a low *debt to equity ratio*, the company can be considered to be in a safe condition. This is evidenced by the total value of debt that is lower than the total equity owned by the company. Providing credible information can avoid conflicts between creditors and managers.

H_2 = Solvency affects the company's valuation.

2.3. The Role of Dividend Policy in Moderating Profitability on Company Valuation

Dividend policy is associated with *bird in the hand theory*. Investors prefer dividends over *capital gain*. This is because shareholders believe that dividends are more reliable than dividends *capital gain*. So the increase in dividends will add to the company's value. Gift *Signal* which is good to external parties regarding the condition of a company makes external parties able to assess a company well. A high level of profitability will gain the trust of investors in investing their capital

in the company. Dividend payments are optimally able to reflect the company's better prospects, thereby increasing the company's valuation because it can strengthen the relationship between profitability and the company's valuation (Ulya & Sudiyatno, 2023).

Research conducted by (Munawaroh & Ramadan, 2022) shows that the profitability is proxied by *return on equity* With dividend policy as a moderating variable that, the higher the likelihood that the company will distribute dividends if the company's profitability increases. The level of profitability is able to provide a positive signal to investors about the value of the company and the dividend policy is a consideration for investors' assessment of the company's shares. Dividend policy is able to significantly moderate profitability to the value of the company when profitability is high and dividend policy cannot reduce the value of the company when profitability is low (Rutin et al., 2022).

If the company's profitability increases, then the company's chances of distributing dividends will be higher. The larger the amount of dividends distributed, the higher the company's value will be in the eyes of investors and the public. Dividend policy is able to moderate profitability against the company's valuation, where paying dividends is the same as the company's ability to earn profits. Increasing profitability will increase the company's valuation with dividend policy as a moderation variable and give a positive signal to outsiders.

H_3 = Dividend policy can moderate profitability against a company's valuation.

2.4. The Role of Dividend Policy in Moderating Solvency on Company Valuation

In *bird in the hand theory*, investors want high dividend payments from the company's profits according to the investor's goal, namely, investing their shares to get dividends. In this theory, it is argued that there is a relationship between company valuation and dividend policy. The level of debt that a company has can affect the distribution of dividends. Investors will be more interested in buying shares of companies that pay sustainable dividends compared to companies that keep their profits for increased company growth and expansion.

Research conducted by Nurhayati & Kartika (2020) Showing the results of dividend policy can strengthen the influence of *debt to equity ratio* to the company's value. Other research has also shown that dividend policies are able to significantly moderate the relationship of influence *leverage* or solvency to the company's value (Keeping Up With the Kardashians, 2021). A company's valuation increases when the solvency value is high and vice versa. This information can provide a positive signal for investors who want to invest in the company in question. The same thing was also found in the research of Riki et al. (2022) that dividend policy is able to moderate the capital structure or solvency of the company's value.

Companies that pay dividends are too large, resulting in investors having to pay larger taxes. Therefore, the use of *debt to equity ratio* is able to increase the company's valuation because in tax calculations, the interest charged due to the use of debt is deducted, resulting in the company obtaining tax relief and the investor will benefit. It can be concluded that the dividend policy is able to moderate the solvency of the company's valuation.

H4 = Dividend policy can moderate solvency against a company's valuation.

3. Method

3.1. Research Design

The quantitative approach is the approach used in this study. The purpose of the quantitative approach is to find out the relationship between two or more variables (Suggestion, 2020). The research objects used in this study are profitability ratio, solvency ratio, company valuation and dividend policy. This research was conducted on companies listed on the LQ45 Index on the Indonesia Stock Exchange in the 2018-2022 period.

3.2. Population and Sample

The population in this study is companies listed on the LQ45 index on the Indonesia Stock Exchange in the 2018-2022 period with a population of 67 public companies. From the population above, the researcher will conduct *a sampling* technique.

The sampling technique is a sampling technique. Technique *sampling* used are *nonprobability sampling* with the method *sampling purposive*. *Sampling* Purposive is a technique for determining samples with certain considerations or criteria (Suggestion, 2020s). In this study, there are several criteria or considerations, including:

1) The Company is an issuer listed on the LQ45 index on the Indonesia Stock Exchange
2) The company was consecutively listed in the LQ45 index for the 2018-2022 period
3) The company regularly distributes dividends in 2018-2022
4) Companies that have positive profits in 2018-2022

Of the 67 populations, based on the criteria determined by the researcher, the sample in this study is 18 companies.

3.3. Variable Operational Definition

Table 1. Variable Operationalization

Variable	Indicator	Scale
Bound	$V = \frac{D_0(1+g)}{k-g}$	Ratio
Free	$ROE = \frac{Earning\ After\ Interest\ and\ Tax}{Total\ Equity}$	Ratio
	$DER = \frac{Total\ Utang\ (Debt)}{Total\ Ekuitas\ (Equity)}$	Ratio
Presenter	$DPR = \frac{Dividend\ per\ Share\ (DPS)}{Earning\ per\ Share\ (EPS)}$	Ratio

3.4. Techniques and Data Collection

In this study, data collection techniques are used using documentation data. The data source used is in the form of secondary data that is quantitative, the data is presented with numbers that represent each variable. The data source used is in the form of annual financial statements from a company. This research was conducted on LQ45 Index companies listed on the Indonesia Stock Exchange (IDX) through financial information obtained on the www.idx.co.id and www.idnfinancials.com websites.

3.5. Data Analysis Techniques

In this study, the analysis used is a regression analysis model that aims to determine the role of dividend policy in moderating company performance against company valuation.

3.6. Descriptive Statistical Test

Descriptive statistical tests are used to analyze data with a size *Mean*, *maximum*, *Minimum* and *standard deviation* which is presented using the (Ghozali, 2021).

3.7. Classical Assumption Test

The classical assumption test consists of a normality test, a multicollinearity test, an autocorrelation test and a heteroscedasticity test. The normality test is used to test whether the free variable and the bound variable have a normal distribution in a regression model. The Multicollinearity Test aims to test whether there is a correlation or not there is a correlation between independent variables in a regression model. The autocorrelation test is a test that can determine whether or not there is a correlation between the perturbator error in the t-period and the previous period in the regression model. The heteroscedasticity test is a testing tool used in testing regression models, whether *variance* from the residual of one observation to another there is a discrepancy (Ghozali, 2021).

4. Results and Discussion

4.1. Results

4.1.1. Descriptive Statistics

Table 2. Results of Statistical Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	90	.011	1.451	.23031	.290314
THE	90	.186	6.626	1.84488	2.072256
DDM	90	820.145	52487.310	8224.01083	8132.066424
DPR	90	.100	1.767	.56123	.308466
Valid N (listwise)	90				

Based on Table 2, the results of the descriptive statistical spss data processing there are 90 observation data for each variable. The results of the study can be explained as follows, namely, *Return on Equity* (ROE) as the X1 variable has the lowest value of 0.011, namely PT Aneka Tambang Tbk in 2019 and the highest value of 1.451, namely PT Unilever Indonesia Tbk in 2020. Then for the average value of 0.23031 with a standard deviation of 0.290314. A standard deviation value greater than the mean value indicates a wide variation in the data.

Debt to Equity Ratio (DER) as the X2 variable has the lowest value of 0.186, namely PT Kalbe Farma Tbk in 2018 and the highest value of 6.626, namely PT Bank Negara Indonesia (Persero) Tbk in 2021. Then for the average value of 1.84488 with a standard deviation of 2.072256. A standard deviation value greater than the mean value indicates a wide variation in the data.

The Dividend Discount Model (DDM) as the Y variable has the lowest value of 820,145, namely PT Aneka Tambang Tbk in 2018 and the highest value of 52487,310, namely PT Indo Tambangraya Megah Tbk in 2022. Then for the average value of 8224.01083 with a standard deviation of 8132.066424. Standard deviation values that are smaller than the mean value indicate a narrow variation in the data.

The Dividend Payout Ratio (DPR) as the Z variable has the lowest value of 0.100, namely PT Semen Indonesia (Persero) Tbk in 2019 and the highest value of 1.767, namely PT Indocement Tunggal Prakarsa Tbk in 2018. Then for the average value of 0.56123 with a standard deviation of 0.308466. Standard deviation values that are smaller than the mean value indicate a narrow variation in the data.

4.1.2. Normality Test

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		90
Normal Parametersa,b	Mean	.0000000
	Std. Deviation	.38242406
Most Extreme Differences	Absolute	.077
	Positive	.045
	Negative	-.077
Test Statistic		.077
Asymp. Sig. (2-tailed)		.200c,d

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

From table 3 presented above, it shows that the normal distributed data as evidenced by *Asymp.Sig* (2-tailed) is 0.200 which is greater than the significance level of 5% (0.200>0.05). Because the research data is normally distributed, the data can be used in multiple linear regression tests.

4.1.3. Multicollinearity Test

Table 4. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	BRIGHT
1	(Constant)		
	ROE	.986	1.014
	THE	.957	1.045
	DPR	.953	1.049

Based on Table 4 regarding the multicollinearity test, the VIF return *on equity* value is 1.014, *the debt to equity ratio* is 1.045 and the VIF value of the *dividend payout ratio* is 1.049. The VIF value of the three variables shows a value of < 10. The *tolerance* value of *return on equity* is 0.986, *the debt to equity ratio* is 0.957 and the *tolerance value* of the *dividend payout ratio* is 0.953. The *tolerance* value of the three variables shows a *tolerance value* > 0.10.

4.1.4. Uji Autokorelasi

Table 5. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.296a	.088	.056	7901.466125	2.133

a. Predictors: (Constant), DPR, ROE, DER

b. Dependent Variable: DDM

Based on table 5, it shows that the Durbin Watson value is 2.133 with many samples of 90 data and 3 free variables, so that, in the Durbin Watson table, a dl value of 1.5808 and a du value of 1.7232 are obtained. So the results show that the DW < < 4-du or 1.7232 < 2.133 < 2.2768, it can be concluded that there are no autocorrelation symptoms so that it meets the autocorrelation assumption.

4.1.5. Heteroscedasticity Test

Table 6. Heteroscedasticity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Mr.
		B	Std. Error	Beta		
1	(Constant)	7324.617	904.634		8.097	.000
	ROE	1422.978	2458.905	.068	.579	.564
	THE	94.774	579.661	.020	.163	.871
	DPR	-257.924	2158.911	-.014	-.119	.905

a. Dependent Variable: Abs_Res

Based on table 6, it can be concluded that the three variables tested do not show heteroscedasticity. This can be seen from the significance value that is greater than the set significance level (0.05 or 5%). Therefore, it can be concluded that there is no correlation between the amount of data and the residual in this regression model.

4.1.6. Hypothesis Test Results

Table 7. Results of the Multiple Linear Regression Model Feasibility Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.268a	.072	.050	7924.574155

a. Predictors: (Constant), DER, ROE

Based on table 7, it shows that the model feasibility test value in the *Adjusted R Square column* is 0.050 or 5%. It can be interpreted that the independent variables, namely return on equity and debt to equity ratio, can only explain the bound variable, namely the dividend discount model of 5%, while the remaining 95% is explained by other variables that are not studied.

The following are the results of the model feasibility test in table 8 for *the moderated regression analysis* model as follows:

Table 8. Results of the Moderated Regression Analysis Model Feasibility Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.377a	.142	.091	7751.47200

a. Predictors: (Constant), DERDPR, DPR, ROE, DER, ROEDPR

Based on table 8, it shows that the model feasibility test value in the *Adjusted R Square column* is 0.091 or 9.1%. It can be interpreted that the independent variables, namely *return on equity* and *debt to equity ratio* and the dividend discount model moderation variable , can only explain the bound variable, namely *the dividend discount model* of 9.1%, while the remaining 90.9% is explained by other variables that are not studied.

Table 9. Multiple Linear Regression Test Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Mr.
		B	Std. Error	Beta		
1	(Constant)	8681.713	1282.990		6.767	.000
	ROE	4802.510	2898.388	.171	1.657	.101
	THE	-847.630	406.052	-.216	-2.087	.040

a. Dependent Variable: DDM

Based on table 9, the multiple regression equation model is obtained as follows:

DDM = 8681,713 + 4802,510X1 – 847,630X2 + e

Based on this equation, it is interpreted as follows:

1) It can be seen that the constant value of the regression equation above is 8681.713 and is positive. This shows that if the value of the return *on equity* and *debt to equity ratio variables* is zero, then the value of the *dividend discount model* is 8681.713.
2) The value of the return on equity regression coefficient is 4802.510 and has a positive value. This shows that if the *return on equity variable* experiences an increase of 1%, it will be followed by an increase *in the dividend discount model* of 4802,510.
3) The value of the debt to equity ratio regression coefficient is -847.630. and has a negative value. This shows that if the *debt to equity ratio* variable increases by 1%, it will reduce the *dividend discount model* by -847,630.

4.1.7. Moderated Regression Analysis Result

Tabel 10. Hasil Uji Moderated Regression Analysis

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Mr.
1	(Constant)	6248.437	2875.269		2.173	.033
	ROE	33116.241	12613.653	1.182	2.625	.010
	THE	-437.535	1109.311	-.111	-.394	.694
	DPR	5478.501	4821.793	.208	1.136	.259
	ROEDPR	-49535.766	21895.680	-1.084	-2.262	.026
	DERDPR	-1238.777	2173.625	-.159	-.570	.570

a. Dependent Variable: DDM

Based on table 10, when the moderation variable is included as an interaction, the following equation model is obtained:

DDM = 6248,437 + 33116,241X1 – 437,535X2 + 5478,5016Z – 49535,766X1Z – 1238.777 X2Z + e

Based on this equation, it is interpreted as follows:

1) It can be seen that the constant value of the above equation is 6248.437 and is positively signed. This shows a positive influence on the company's valuation (*dividend discount model*).
2) The value of β1 *return on equity* is 33116.241 and has a positive value. This shows that if the *return on equity variable* experiences an increase of 1%, it will be followed by an increase *in the dividend discount model* of 33116.241.
3) The value of β2 *debt to equity ratio* is -437.535 and has a negative value. This shows that if the *debt to equity ratio* variable increases by 1%, it will be followed by a decrease in *the dividend discount model* of 437,535.
4) The value of β3 *dividend payout ratio* is 5478.5016 and has a positive value. This shows that if the *variable dividend payout ratio* increases by 1%, it will be followed by an increase in *the dividend discount model* of 5478.5016.
5) The β4 value of ROEDPR (*return on equity* and *dividend payout ratio*) is -49535.766 and has a negative value. This shows that if the ROEDPR variable can be interpreted, the *dividend payout ratio* can weaken the relationship between *return on equity* and *the dividend discount model*.
6) The β5 value of DERDPR (*debt to equity ratio* and *dividend payout ratio*) is -1238.777 and has a negative value. This shows that if the DERDPR variable can be interpreted, the *dividend payout ratio* can weaken the relationship between *the debt to equity ratio* and *the dividend discount model*.

4.1.8. T Test

Table 11. Multiple Linear Regression T Test Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Mr.
		B	Std. Error	Beta		
1	(Constant)	8681.713	1282.990		6.767	.000
	ROE	4802.510	2898.388	.171	1.657	.101
	THE	-847.630	406.052	-.216	-2.087	.040

Dependent Variable: DDM

Based on table 11, it shows that the *return on equity* variable has a significance value of 0.101. The result obtained is greater than 0.05 (0.101 > 0.05). Then it was known that the value of the tcount was 1.657 and the ttable was worth 1.98761 so that the ttable < ttable (1.657 < 1.98761) was obtained with a positive influence direction.

Table 11, also shows that the *debt to equity ratio* variable has a significance value of 0.040. The result obtained is smaller than 0.05 (0.040 < 0.05). Then it was known that the value of the tcount was -2.087 and the ttable was 1.98761 so that the ttable > ttable (-2.087 > 1.98761) was obtained with a negative influence direction.

The following are presented the results of the T test for multiple linear regression in table 12 for *the moderated regression analysis* model as follows:

Tabel 12. Hasil Uji T Moderated Regression Analysis

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Mr.
		B	Std. Error	Beta		
1	(Constant)	6248.437	2875.269		2.173	.033
	ROE	33116.241	12613.653	1.182	2.625	.010
	THE	-437.535	1109.311	-.111	-.394	.694
	DPR	5478.501	4821.793	.208	1.136	.259
	ROEDPR	-49535.766	21895.680	-1.084	-2.262	.026
	DERDPR	-1238.777	2173.625	-.159	-.570	.570

a. Dependent Variable: DDM

Based on table 12, it shows that the *variables return on equity* and *dividend payout ratio* (X1Z) have a significance value of 0.026. The results obtained are smaller than 0.05 (0.026 < 0.05). Then it was known that the value of the tcount was -2.262 and the ttable was worth 1.98861 so that the tcount was obtained > ttable (-2.262 > 1.98761) with a negative influence direction.

Table 4.10 shows that the *variables debt to equity ratio* and *dividend payout ratio* (X1Z) have a significance value of 0.570. The result obtained is greater than 0.05 (0.570 > 0.05). Then it was known that the value of the tcount was -0.570 and the ttable was worth 1.98861 so that the ttable < ttable (-0.570 < 1.98761) was obtained with a negative influence direction.

4.2. Discussion

4.2.1. The Effect of Profitability on Company Valuation

The test results stated that the profitability proxied with the *return on equity* value had no effect on the value of the company proxied by the *dividend discount model*. Overall in this study, the total value of equity is greater than the value of net profit after tax and the average value of *return on equity* is 0.23031. It is known that out of 18 companies, 12 companies experienced a decrease *in the return on equity* ratio. PT Indofood CBD Sukses Makmur Tbk experienced a decrease in *the return on equity* ratio from 2018-2022. Looking at the financial statements from PT Indofood CBD Sukses Makmur Tbk, the total sales at the company have increased every year. However, economic conditions have caused net profit to decline even though the company is growing positively.

In 2018 the LQ45 index experienced a decline in performance of -8.8% and in 2020 almost all companies experienced a decrease in net profit after tax, due to the occurrence of the *covid 19* pandemic. The *Covid 19* pandemic that occurred caused a decline in capital market performance. The company that has a net profit after tax greater than its total capital is PT Unilever Indonesia Tbk from 2018-2022. The maximum value in the *return on equity* ratio is 1,451 at PT Unilever Indonesia Tbk in 2020. A company's performance as measured by *return on equity* shows efficiency in the use of its own capital. Where the higher this ratio, the better or stronger the position of the company owner.

In signal theory, it is stated that transparent and credible information about a company, can increase the company's valuation because external parties will highly value a company. A good signal can be obtained when, it is known and understands the ability of the company to use its resources efficiently in generating profits or profits. Companies need to correct the activities carried out so that they are more productive and other costs can be overcome properly, so that the profit after tax is greater than the total capital owned. This is because the more stable a company is in generating profits, the stronger the investor's decision to invest in the company.

In accordance with the theory, the company's valuation is formed based on the results of management performance and information on the inflow and outflow of healthy money can attract the attention of many investors in an effort to invest in the shares they own, then the demand for shares and the company's valuation will increase. It is known that return on equity is a proxy of the profitability ratio which means that profits are seen from the capital side will not attract investors. This is because the profits obtained by the company are high and the capital is also high, so the profits obtained are small. In addition, companies need to pay attention to every aspect in developing their financial performance.

The dividend discount model approach is a model that determines the stock price estimate by discounting all dividend streams that will be received in the future. The dividend discount model valuation method calculates fair value using discounted cash flows to forecast the dividends investors expect. This will further increase the company's attractiveness to investors. The increase in the attractiveness of the company makes the company more attractive to investors, because the profit level will be even greater.

The results of this study are in line with the research conducted by Vionita & MN, (2023) and Cindy et al., (2024) shows that profitability has no effect on the company's valuation. Research by Paramita & Aminah, (2024) and Riana & Sairin, (2024) also shows that *return on equity* has no influence on the company's valuation.

4.2.2. The Effect of Solvency on Company Valuation

The test results stated that the solvency proxied with the value of *the debt to equity ratio* had an effect on the value of the company proxied by the *dividend discount model* in a negative direction. The results of the study show that a high debt *to equity ratio* will reduce the company's valuation. The minimum debt *to equity ratio* is 0.186, namely PT Kalbe Farma Tbk in 2018. PT Kalbe Farma Tbk experienced an increase in the debt to equity ratio from 2018-2020, decreased in 2021 and increased again in 2022. Despite the increase, the total equity in PT Kalbe Farma Tbk is still larger than the company's total debt. During the pandemic, PT Kalbe Farma Tbk did not experience a significant impact because the products sold by PT Kalbe Farma Tbk were needed by the public at that time.

It is also known that the highest value of the *debt to equity ratio* of 6,626 is PT Bank Negara Indonesia (Persero) Tbk in 2021. PT Bank Negara Indonesia (Persero) Tbk experienced the highest increase in total debt in 2020. *Debt to equity ratio* is a ratio that measures a company's ability to pay its obligations using a ratio of the amount of debt and the amount of equity. The total debt of PT Bank Negara Indonesia (Persero) Tbk has a value greater than the company's total equity. In signal theory, if a company has a high total debt, it will give a bad signal about the condition of the company. These bad signals will influence external parties to invest in the company.

A high total debt does not always give a bad signal. This is because, for the company, it is effective in managing the debt owned for the company's activities. For example, in the company PT Unilever Indonesia Tbk which has a *debt to equity ratio* that is increasing every year, it means that the debt owned can be efficiently used to manage the company and is far from the risk of the company experiencing bankruptcy. In the theory of the agency, it shows how the conflict that exists on the one hand between the owner and the manager, while on the other side between the owner-manager and the creditor. This is necessary to prevent conflicts that occur later. The company has entered into agreements with third parties, when making loans so as not to experience conflicts later.

If the company has too large a debt, it can increase the risk of bankruptcy because the company has to pay debt installments with interest. In addition, debt also causes companies to be susceptible to fluctuations in interest rate changes and fluctuations in currency values, so that with the amount of interest that must be paid to creditors, it will reduce investors' interest in investing in companies.

On the other hand, if the proportion of debt is low, it will increase the company's valuation. Investors consider that if the company uses a small amount of debt, it means that the need for external funds is low because the source of internal funds (own capital) is high enough so that the risk of the company failing to pay off its debt is also getting smaller. This is a signal for investors in making investment decisions in a company.

Method *Dividend Discount Model* Constant growth (DDM) is used to determine the value of a stock if the dividend paid continues to increase over an indefinite period of time (Tandelilin, 2017). By knowing the intrinsic value of a company's valuation, it helps investors to achieve their investment goals, namely obtaining profits in the future. In addition, it can be used as an indicator of the company's growth potential as well as the ability to obtain additional funds. Usage of methods *dividend discount model* can influence investors in making decisions to achieve their goals.

This research is in line with the research Astiti & Imbayani, (2022) and Nuralifah & Wardoyo, (2023) shows that solvency has a negative effect on the company's valuation. Research conducted Cahyani et al., (2024) that solvency shows a significant negative influence on the company's value. This means that if the solvency produced is high, it will cause a decrease in the company's value, and vice versa. Kadafi, (2020) indicates that *debt to equity ratio* negatively affect the company's valuation.

4.2.3. The Role of Dividend Policy in Moderating Profitability Against Company Valuation

The results show that the dividend policy is able to moderate the profitability that is proxied by *the return on equity* against the valuation of the company that is proxied by *the dividend discount model*. Profitability is the main consideration for a company to pay dividends, the higher the profitability shows the better a company carries out its operational activities. In bird *in the hand theory*, it is explained that investors want high dividend payments from the company's profits. The advantage in this theory is that if a company distributes large dividends, it will affect the valuation of the company.

In this study, PT Indocement Tunggal Prakarsa Tbk has a return *on equity* that increases every year. The value of *the dividend payout ratio* distributed has also increased every year. This will increase the valuation of a company. This proves that, with the dividend policy in moderating the influence of profitability, it can increase the valuation of the company. Companies that generate high profits are likely to distribute larger dividends to shareholders. The balance between profitability and dividend policy can reflect the company's good prospects and can increase the company's valuation so it is considered a good signal for shareholders. It can be concluded that the level of profitability can provide positive signals to external parties regarding the company's valuation and the dividend policy is considered by external parties in assessing the company's valuation.

Dividend policy moderates the relationship between profitability and a company's valuation, which implies that dividends are paid taking into account the company's profits or profits. The amount of profit generated by a company will affect the amount of dividends distributed to shareholders. The more companies generate profits, the higher the company's valuation as shown by the amount of dividends distributed. This can give a positive signal to shareholders, because companies that have great profitability from year to year tend to be in demand by many investors.

The results of this study are in line with the research conducted by Princess & Sholichah, (2023) and Achieved & Lestari, (2023) which states that the dividend policy is able to moderate (strengthen) profitability against the company's value. Research conducted by Ulya & Sudiyatno, (2023) stated that dividend policy can increase the value of the company in times of high profitability and dividend policies can reduce the value of companies in times of low profitability as well as research conducted by Abdilah & Prijanto, (2024) that dividend policy is able to moderate the influence of profitability on the company's valuation. This refers to the company's approach to distributing profits to shareholders in the form of cash or stock dividends.

4.2.4. The Role of Dividend Policy in Moderating Solvency Against Company Valuation

The results show that the dividend policy is not able to moderate the solvency that is proxied by *the debt to equity ratio* to the valuation of the company that is proxied by the *dividend discount model*. Companies that have a high *debt to equity ratio* must repay loans and loan interest so that they can maintain the company's cash flow properly and profitably. The amount of debt use is considered

not to have an impact on the amount of dividends, because the level of risk associated with the company's debt is considered controllable. Therefore, dividend distribution decisions are not affected by debt levels. The amount of dividends is considered not to affect the company's value.

In *bird in the hand theory* , a company that distributes dividends at this time will leave a good impression on investors, that the company is making a big profit. On the other hand, companies that have a high solvency level tend to prioritize long-term debt payments and debt interest expenses rather than distributing large dividends or paying smaller dividends. It is certain that companies with a lower solvency level will provide greater dividends because the company's liability for interest expense on debt is less. Thus, the profits from the company can be used to improve the welfare of shareholders which means increasing the valuation of the company.

In this study, it is known that PT Kalbe Farma Tbk has a low *debt to equity ratio* with an average for five years of 0.215 and has a dividend payment rate that always increases every year. Another company, namely PT Indocement Tunggal Prakarsa Tbk has a low average *debt to equity ratio* with a five-year average of 0.242 with the largest average *dividend payout ratio* of 1.024. PT Bank Negara Indonesia (Persero) Tbk has a *debt to equity ratio* that increases every year and has the highest average for five years. The dividend policy that is proxied with *the dividend payout ratio* has the lowest average for five years, it is also known that PT Bank Negara Indonesia (Persero) Tbk has a constant dividend payout ratio value of 0.250 from 2018-2020.

Dividend policy is unable to moderate the relationship between solvency and company valuation, indicating that the level of corporate debt can be a factor in dividend payments. The amount of debt will affect the amount of dividends distributed to shareholders. The signal given can be positive if the company has low debt and distributes dividends to shareholders.

The results of this study are in line with the research conducted by Aldi et al., (2020) which states that dividend policy is not able to moderate the influence of solvency on the valuation of companies, research Zhafira & Tristiarini, (2024) stated that dividend policy is not a moderation variable of the impact of solvency on the company's valuation. This means that the use of debt has no effect on dividend distribution, because debt risk is considered manageable and dividend funding decisions are not affected by debt levels. This research is also in line with the research conducted by Nofika & Nurhayati, (2022) which states that the dividend policy is not able to moderate the solvency of the company's valuation.

5. Conclusion

Based on the results of research conducted by researchers related to the accounting treatment of dividend policy in moderating company performance on company valuations in companies included in the LQ45 index in 2018-2022, the conclusions of this study are as follows:

1) Profitability that is proxied with *return on equity* has no effect on the valuation of companies that are proxied by the *dividend discount model*.
2) The solvency ratio proxied by *the debt to equity ratio* has a significant influence on the company's valuation. Solvency ratios show a significant negative influence on a company's valuation.
3) The dividend policy is able to moderate the profitability ratio to the company's valuation. The dividend policy is proxied with *the dividend payout ratio* where the dividend policy can moderate the relationship between profitability and the company's valuation, which indicates that there is a company's profit that is considered in the payment of dividends.
4) The dividend policy is not able to moderate the solvency ratio to the company's valuation. The dividend policy is proxied with *the dividend payout ratio* where the dividend policy cannot moderate the relationship between solvency and the company's valuation.

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