:: IJEBD ::
(International Journal of Entrepreneurship and Business Development)
Volume 07 Number 01 January 2024

ISSN : 2597-4785 (ONLINE)
ISSN : 2597-4750 (PRINTED)

The Effect of Dividend Policy and Profitability on Firm Value with Corporate Social Responsibility as A Mediator

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ABSTRACT

Purpose: This study aims to examine the direct effect and indirect effect between Dividend Policy, Profitability, and CSR on Firm Value. The sample in this study is a consumer non-cyclicals company listed on the Indonesia Stock Exchange from 2019 to 2021 which uses purposive sampling, namely companies that pay dividends. The sample obtained was 152 companies

Design/methodology/approach: The analysis technique used is the regression analysis and path analysis

Findings: The results of this study indicate that: (1) Dividend Policy not affect Firm Value, CSR and Profitability affect Firm Value, (2) CSR is able to mediate the effect of Dividend Policy on Firm Value, (3) CSR is unable to mediate the effect of Profitability on Firm Value. Future researchers are expected to use all companies listed on the Indonesian stock exchange so that it is easier to get the complete data information needed because it is more widespread not only focusing on one sector.

Research limitations/implications: The implication of the results of this study is as a basis for company policy in assessing the performance of the company. Where when the company is consistent in distributing dividends, the company's value will be high, this is also supported by the profitability of the company. In addition, the CSR factor carried out by the company can certainly also increase the value of the company Where when the company is consistent in distributing dividends, the company's value will be high, this is also supported by the profitability of the company. In addition, the CSR factor carried out by the company can certainly also increase the value of the company. The more CSR that is done, the better the company's performance.

Originality/value: This research is original

Paper type: Research paper

Keyword: *Deviden Policy, CSR, Profitability, Firm Value*

Received : October 5th

Revised : December 18th

Published : January 31th

I. INTRODUCTION

Sugiono (2009) states that dividends are income distributed to company owners or shareholders. Dividends are a distribution of profits provided by companies that issue shares for the profits earned by the company. Research conducted by Selvy & Esra (2022) obtained a positive and significant direction on the effect of dividend policy on firm value, which means that the more companies that distribute dividends, the higher the value of the company. This is in line with the Bird in the Hand theory where investors will tend to choose to get dividends now rather than having to wait for capital gains in the future so that based on this thinking, the hypotheses that can be proposed in this study are:

H1: Dividend policy affects CSR

The company must provide some of the profits obtained for social programmes to cover the negative impact of the company's operational activities that it causes. So it can be said that the more profit the company gets, the more social responsibility items will be issued. This indicates that profitability is the company's ability to generate profits during a certain period. The higher the level of profitability of the company, the greater the social disclosure. Companies that have a responsibility to stakeholders to fulfil their information needs in order to

ISSN : 2597-4785 (ONLINE)
ISSN : 2597-4750 (PRINTED)

maintain their support. The higher the level of profitability, the more detailed the information provided by managers because management wants to convince investors of the company's profitability.

H2: Profitability affects CSR

The main goal of a company is to increase the value of the company in a sustainable manner. This goal can be achieved if the company pays attention to the economic, social, and environmental dimensions where according to legitimacy theory explains that the company continues to strive to ensure that the company operates within the norms of society and the environment in which the company is located, and ensures that the company's activities are accepted by outsiders as a legitimate activity. In the end, legitimacy through CSR disclosure will reduce conflicts of interest between managers, shareholders and stakeholders, which is also very helpful in building a positive image for investors in investing in the company. A positive company will increase the value of the company for the better and can promise to provide a rate of return or can promise a stable dividend distribution so as to attract the attention of investors.

H3: Corporate Social Responsibility affects firm value.

According to stakeholder theory, companies are not only concerned with the interests of shareholders but also must pay attention to the interests of their stakeholders. Dividends are a form of corporate social responsibility towards stakeholders. If the dividend distribution is getting smoother, it indicates that the company's responsibility towards stakeholders is getting better (Suprijani and Dina (2020).

H4 : Dividend policy affects firm value.

Research conducted by Chumaidah & Priyadi (2018), Hauteas & Muslichah (2019), Ayu & Suarjaya (2017), Raningsih & Artini, (2018) shows profitability affects firm value. From this information and supported by the results of previous research, the proposed hypothesis is:

H5 : Profitability affects firm value

The main goal of the company is to increase the value of the company. The company's value will be guaranteed to grow sustainably if the company pays attention to the economic, social, and environmental dimensions because sustainability is a balance between economic, environmental, and community interests. This dimension in the implementation of CSR by the company is a form of responsibility and concern for the environment around the company. In signaling theory, to reduce information asymmetry, this can be done by signalling information to outsiders, the success of the company's performance is represented by the number of CSR disclosures made. Many benefits are obtained by companies with the implementation of CSR, including products increasingly favoured by consumers, the environment around the company will be maintained, employee loyalty increases, the company's reputation increases in the eyes of the community, which means that the implementation of CSR will provide an increase in company performance so that the company is also in demand by investors. Chumaidah & Priyadi (2018) found that CSR disclosure has a positive and significant effect on firm value. Research by Raningsih & Artini (2018) also shows the same results that CSR has a positive and significant effect on firm value. Based on the explanation above, a hypothesis is formulated:

H6 : Dividend policy affects firm value with CSR as an intervening variable.

The role of a company with a high level of profitability is a good performance achievement so that the company will get a lot of attention from stakeholders, thus increasing the company's obligation to report information related to CSR activities. In addition, the higher the profitability, the higher the position of the company's value in the eyes of investors. Signal theory explains that companies can provide signals to investors through information disclosure in the form of financial aspects (earnings information) and non-financial aspects (CSR activity information) with the aim of increasing company value. Companies that deliver good news related to company performance to investors are expected to be a positive signal to the level of investment return captured by investors, resulting in an increase in stock prices and an increase in company value. The results of previous research related to the role of CSR disclosure in mediating the effect of profitability variables on firm value found conflicting results. CSR disclosure can mediate the relationship between profitability and firm value as stated by the results of research conducted by Ayu & Suarjaya (2017), Robert (2019).

H7: Profitability affects Firm Value with CSR as an intervening variable.

II. METHODS

The population in this study are non-cyclical companies listed on the Indonesia Stock Exchange (IDX). The sample in this study are non-cyclicals companies listed on the IDX from 2018 to 2021, totalling 452 companies using purposive sampling technique, namely: Non-cyclicals companies that pay dividends. Hypothesis testing in this study uses multiple linear regression analysis and path analysis.

Equation I : $CRS = \alpha + \rho b(DPR) + \rho b(ROA) + e$

Equation II : $PBV = \alpha + \rho d(DPR) + \rho e(ROA) + \rho c(CSR) + e$

ISSN : 2597-4785 (ONLINE)
ISSN : 2597-4750 (PRINTED)

see the direct and indirect effects by adding up the total effect of ROA to PBV and by adding up the total effect of DPT to PBV.

Instruments in this study:

$$DPR = \frac{\text{Devidend Earnig Per Share (DPS)}}{Earning\ Per\ Share\ (EPS)} \text{x } 100\%$$

$$ROA = \frac{net\ profit}{Total\ Asset} \text{x } 100\%$$

$$CSRI_j = \frac{\sum X_{ij}}{n_j}$$

$$PBV = \frac{Stock\ price\ per\ share}{Book\ value\ per\ share} \text{x } 100\%$$

$$Book\ Value = \frac{Total\ Equitas}{Total\ shares} \text{x } 100\%$$

III. RESULTS AND DISCUSSION

A. Deskriptive analysis

Table 1 deskriptive analysis result

Statistics

		DPR (X1)	PROFITABILITAS (X2)	CSR (Z)	NILAI PERUSAHAAN (Y)
N	Valid	152	152	152	152
	Missing	0	0	0	0
Mean		.4369920	.1034840	.4549326	4.2420066
Std. Error of Mean		.03437588	.00781513	.05344886	.60516660
Median		.3206468	.0814492	.3626374	1.8850000
Mode		.43600	.09400	.36800	.09400a
Std. Deviation		.42381435	.09635143	.65896184	7.46099496
Variance		.180	.009	.434	55.666
Range		3.31011	.52338	4.24816	56.78000
Minimum		-.25011	-.03035	.16484	.01000
Maximum		3.06000	.49303	4.41300	56.79000
Sum		66.42279	15.72957	69.14976	644.78500

a. Multiple modes exist. The smallest value is shown

ISSN : 2597-4785 (ONLINE)
ISSN : 2597-4750 (PRINTED)

B. Hypothesis test result

Table 2 Result of the t test Profitabilitas, DPR, CSR to Firm Value

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.909	.916		.992	.323		
	DPR (X1)	.653	1.251	.037	.522	.602	.935	1.070
	PROFITABILITAS (X2)	46.749	6.127	.604	7.630	.000	.754	1.327
	CSR (Z)	-3.936	.902	-.348	-4.364	.000	.744	1.345

a. Dependent Variable: Firm Value (Y)

Table 3 Result of the t tes Profitabilitas, DPR to CSR

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.253	.081		3.145	.002		
	DPR (X1)	-.323	.110	-.208	-2.926	.004	.989	1.011
	PROFITABILITAS (X2)	3.311	.486	.484	6.814	.000	.989	1.011

a. Dependent Variable: CSR (Z)

C. Result path analysis

Table 4 result path analysis

Variable	Beta Coefficient direct effect	Variabel	Beta Coefficient direct effect	Variable	Beta Coefficient direct effect	Beta Coefficient indirect effect

ISSN : 2597-4785 (ONLINE)
ISSN : 2597-4750 (PRINTED)

X1 to Z	*-0,323*	*Z to Y*	*-3,936*	*X1 to Y*	*0,653*	*1,27*
X2 to Z	*+3,311*	*Z to Y*	*-3,936*	*X2 to Y*	*46,749*	*-13,03*

1. Devident policy to CSR (H1)

Dividend policy variable affects CSR. According to stakeholder theory, companies are not only concerned with the interests of shareholders but also must pay attention to the interests of their stakeholders. Dividends are a form of corporate social responsibility to stakeholders. If the dividend distribution is getting smoother, it indicates that the company's responsibility to stakeholders is getting better. Companies that have a good enough net profit in each period have the potential to be able to distribute some of that net profit to shareholders and CSR activities. This is also in line with the bird ib the hand theory where according to this theory investors or shareholders will prefer the certainty of dividend distribution rather than the promise to distribute larger dividends in the future, which means that investors will prefer to benefit through dividend payments in the present rather than waiting for capital gains in the future. This will certainly increase the company's policy in managing CSR.

Based on the processed results in this study, dividend policy proxied by Dividend Payout Ratio (DPR) has a positive and significant influence on CSR. This study is in line with research conducted by Suprijani and Dina (2020) which states that dividend policy proxied by DPR has a positive and significant influence on CSR.

2. Profitability on CSR (H2)

Profitability variables affect CSR. The higher the profit owned by the company, the lower the CSR disclosure or vice versa if the profit falls, the CSR disclosure will increase. The results of this study are in accordance with the perspective of stakeholder theory where the company is obliged to provide transparency of information related to all activities that have been carried out by the company to stakeholders, one of which is the disclosure of CSR activities regardless of profit up or down (because the direction of the results of this study is negative / opposite). The high level of profitability of the company due to the achievement of good performance turns out in this study does not have an impact (because the direction of this study shows a negative arqah) on the greater amount of company resources spent on public activities. The company will disclose CSR more widely so that the company's existence can be accepted by stakeholders and can ensure the survival of the company and get greater profits in the future. The results of this study are supported by the results of research conducted by Ayu D.P and AA Gedhe (2017, Silfyanie (2016) which proves that profitability has a significant effect on CSR disclosure.

3. CSR to Firm value (H3)

CSR variables affect firm value. The results of this study are in accordance with the perspective of signal theory where companies can provide signals to external parties through reporting information related to company performance in order to increase company value. The signal is responded positively by investors through an increase in stock prices that can increase the value of the company. Broader CSR disclosure will make the company get support for stakeholder alignments for all decisions taken in order to increase company value. The results of this study are supported by the results of research conducted by Julianto and Lia (2020).

4. Dividend Policy to Firm Value (H4)

Dividend policy has no effect on firm value, one of which is because the dividend payout ratio in this sample is still low so that it is less profitable for investors and is supported by high company internal funds so that it will have an impact on retained earnings. This will result in an increase in firm value. A small dividend payout ratio will reduce the company's internal funds so that investors are less interested if the profits are reinvested to get greater profits so that this cannot increase the company's value. This is in line with dividend theory where according to this bird in the hand theory, investors or shareholders will prefer the certainty of dividend distribution rather than the promise to distribute larger dividends in the future. So that this will make shareholders or investors who choose non-competing characters prefer to benefit through dividend payments in the present rather than waiting for capital gains in the future so that this will improve company performance with the number of investors who secure their shares. The results of this study are in line with the research of Julianto and Lia (2020) and Hauteas and Muslichah (2019).

5. Profitability on Firm Value (H5)

Profitability variables affect firm value. The results of this study are in accordance with the perspective of signal theory which explains that the increase in profitability listed in the financial statements is an effort to provide positive signals to investors regarding the company's performance and future business prospects. These efforts can build positive sentiment from investors so that it affects the increase in share prices in the capital

ISSN : 2597-4785 (ONLINE)
ISSN : 2597-4750 (PRINTED)

market. An increase in share price can increase the value of the company in the eyes of investors, this research is supported by Ayu D.P and AA Gede (2017), also supported by Raningsih and Luh Gede (2019) and Hauteas and Muslicah (2019).

6. CSR is able to mediate dividend policy on firm value (H6)

CSR is a mediating variable between dividend policy and Firm Value. Legitimacy theory explains that companies continue to strive to ensure that the company operates within the norms of society and the environment in which the company is located, as well as ensuring that the company's activities are accepted by outsiders as a legitimate activity. In the end, legitimacy through CSR disclosure will reduce conflicts of interest between managers, shareholders and stakeholders, it is also very helpful in building a positive image for investors in investing in the company. A positive company will increase the value of the company to be better and can promise to provide a rate of return or can promise a stable dividend distribution so as to attract the attention of investors. This shows that with high CSR, the company's value will increase, supported by a stable dividend policy given to investors. This research is supported by Selvi and Marta (2022) who state that the dividends obtained by shareholders determine the welfare of shareholders which is the main goal of the company.

7. CSR is not able to mediate profitability on firm value (H7)

Mediation variables between profitability and Firm Value. According to signal theory which explains that company value can be increased by sending signals to external parties through reporting information related to company performance to minimise uncertainty about future business prospects where the higher the profitability, the higher the position of company value in the eyes of investors. But not in research that reveals that the higher the value of profitability does not guarantee the position of the company's value in the eyes of investors. Reporting information related to increased profitability and wider CSR disclosure will not always have an impact on the quality of the company's financial statements, where the report is a consideration in making investment decisions for investors. The findings of this study prove that profitability and CSR do not always describe good business prospects in the future so that it will be responded by investors as a positive signal which has an impact on increasing stock prices and company value. The results of this study do not support the findings of Silfyanie (2016), Ayu and AA Gede (2017) who found that the role of CSR can mediate the effect of profitability on firm value.

IV. CONCLUSION

This study aims to examine the effect of Dividend Policy, Profitability, CSR on Firm Value and also test whether CSR is able to mediate between dividend policy and profitability on firm value, the sample used is a non-ciclycals consumer company listed on the Indonesia Stock Exchange (IDX) for the 2018-2020 period. The test tools used in this study are descriptive statistical tests and multiple linear regression tests using SPSS 24 for windows application software. Based on the results of data analysis and hypothesis testing that has been carried out, the conclusions of this study are as follows: First, CSR is a mediating variable between dividend policy and firm value. Second, CSR is able to mediate the effect of dividend policy on firm value. Third, CSR has an effect on firm value. Fourth, dividend policy has no effect on firm value. Fifth, profitability variables affect firm value, sixth, profitability variables affect CSR. Seventh, CSR is not able to mediate the effect of profitability on firm value.

A. Suggestions

The suggestions from this research are

1. Future researchers are expected to add an observation period so that they can analyse the long term.
2. Future researchers are expected to use all companies listed on the Indonesian stock exchange so that it is easier to get the complete data information needed because it is more widespread not only focusing on one sector.
3. Further researchers can add other independent variables to analyse the firm value variable.

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