

CHAPTER I

INTRODUCTION

1.1. Background

A publicly traded company is a company that sells shares to investors who trade on the stock market. The establishment of a company must have a clear goal. Every company has a goal to achieve maximum profit. Maximum profit can advance the company's shareholders. The maximum company value can be reflected toward stock price. With an increase in stock price in the company, value company will too increase. Thus, companies goal to maximize shareholder wealth can be realized by maximizing company value. Company value is the most important indicator in companies. when the company value is higher, than company's performance will be considered good. Good company performance can ensure the sustainability of shareholders in the future. The purpose of investors to invest their capital in the form of shares in order to obtain economic benefits in the future so that the greater the profit and the higher the economic benefits needed by investors which will have a positive impact on increasing the value of the company. One way to determine the value of the company is to use price book value (PBV) to measure the value given by the market to management and company organizations as an increase in a company.

Several factors that can affect the value of the company, among others, liquidity. Liquidity is the company's ability to pay the company's short-term obligations. Companies that have good liquidity will be judged to have good

performance by investors. Companies that have a high level of liquidity have an indirect impact on giving a picture of a company being able to meet its short-term obligations. A company's liquidity will be reflected in its daily routine, which can be observed through timely payments to creditors or timely payment of salaries, because it can be seen that liquidity is the ability to pay short-term debt. Apart from short-term obligations or current liabilities that will be repaid within one time (Bawamenewi 2019) The following is a research conducted by Kristianti and Foeh (2020) that liquidity has a negative and significant effect on firm value. Meanwhile, according to Juhandi et al (2019), invention of the research show that there is significant positive impact of liquidity on company value.

Profitability ratio is also factor that affects firm value. Profitability can be used as a reflection in managing the company and can be used as a factor for consideration by investors to buy shares in the company. For companies, increasing profitability is something that must be done so that companies can attract investors to buy shares in the company. If investors want to see how big the company's profits are, what they have to do is look at profitability as proxied by ROE because it can measure how effectively the company generates returns for investors or shareholders. Profitability can also be said as the level of net profit that can be achieved by the company in carrying out its operations. The following is a research on the profitability of Kristianti and Foeh (2020) that the profitability variable has a negative and significant effect on firm value.

While the research conducted by Sinurat (2019) showed the results of the study that the profitability variable had a positive effect on firm value.

In addition to the several factors above, which become a signal for investors in assessing a company's good or bad, is the dividend policy. Signaling theory emphasizes the importance of information issued by the company on investment decisions for parties outside the company. Liquidity and profitability have an important role where dividend policy can maximize firm value. Companies in distributing dividends to shareholders, profitability is the last most crucial factor for dividend policy. More profit available to investors, greater the dividend payment to shareholders or the allocation for retained earnings (Rais and Santoso, 2017).

In this research, dividend policy is used as a mediating variable because dividend policy is a company's financial decision whether the profits obtained will be distributed to shareholders or retained as retained earnings. Dividends distributed are usually presented in the Dividend Payout Ratio (DPR). It is the DPR that determines the amount of dividends per share. The distribution of dividends to the company will affect the assessment of investors on the stock price, which means it can affect the company value. In the dividends policies research on company value conducted by Odinya and Joseph (2018), the results show existence a positive and significant connection among dividend policy and company value, while according to study from Lumapow et al (2017), the results show that dividend policy has a negative effect and significant to firm value

Companies that have higher liquidity are expected to be able to pay higher dividends (Setiawan and Rahmawati, 2020). This study describes the company's liquidity to measure a company's ability to use its current assets to meet short-term obligations Mazengo and Mwaifyusi (2021). The company's liquidity can be assumed as an indicator of the rate of return of an investment which can be in the form of dividends. The current ratio is used as a proxy used to measure the company's liquidity, because the Current Ratio is able to determine the companies capacity to fulfill its short-range capabilities. Increasing the ability of a company to meet its short-term obligations which are included in paying dividends, the greater the current ratio shown. Shareholder belief in the company capability to repay dividends is the result shown by the high current ratio (Nur, 2018). The liquidity research on dividend policy conducted by Kristianti and Foeh (2020) shows that the liquidity variable has a positive and significant effect on Dividend Policy. While research conducted by Widyasti and Putri (2021) Liquidity has no effect on dividend policy.

In a company dividend policy can also affect profitability. Profitability is a company's performance in terms of sales, assets, and share capital. The profits obtained by the company will change the level of dividends that will be distributed to shareholders (Zainuddin and Manahonas, 2020). Several previous studies about impact in profitability on dividend policies studies by Kristianti and Foeh (2020) showed that profitability had a positive and significant effect on Dividend Policy. While the research conducted by

Widyasti and Putri (2021) shows the results of research that profitability has no effect on dividend policy.

Several previous studies have developed and tested various models to explain dividend behavior as an intervening variable related to factors that affect firm value, including liquidity and profitability. From previous research shows that liquidity and profitability cannot mediate firm value through dividend policy. However, there are studies that show that liquidity and profitability can mediate firm value through dividend policy. This can be shown from Indahsari and Asyik's research (2019) showing the results that liquidity cannot mediate firm value through dividend policy. Research conducted by Kristianti and Foeh (2020) shows the results mediating variables such as dividend policy are able to mediate the effect of liquidity variable on the company value variables. For research on profitability variables on firm value through dividend policy, this can be shown in study from Sinurat et al (2019) showing the invention that dividend policy is not able to mediate the effect of profitability on firm value. However, according to research conducted by Astuti and Yadnya (2019), dividend policy is able to mediate the effect of profitability on firm value.

Economic developments related to company value, especially in food and beverage sub-sector companies listed on the IDX, one of which is how the state of sales growth is owned by several companies. One of the depressed industrial sectors in 2020 is the food and beverage industry caused by the COVID-19 pandemic. One of the phenomena related to the growth of company value is

that PT Mayora Indah Tbk in 2019 recorded a net sales growth of 3.52% from 17.35 trillion to 17.96 trillion. However, in 2020 PT Mayora's sales decreased by 2.19% from the position in December 2019 of 25.03% to 24.47% in 2020. In each of the sales owned by several in the food and beverage sector, fluctuations caused investors are less interested in investing their capital. The following is the price book value data for company from food and beverage sub sector at Indonesian Stock Exchange.

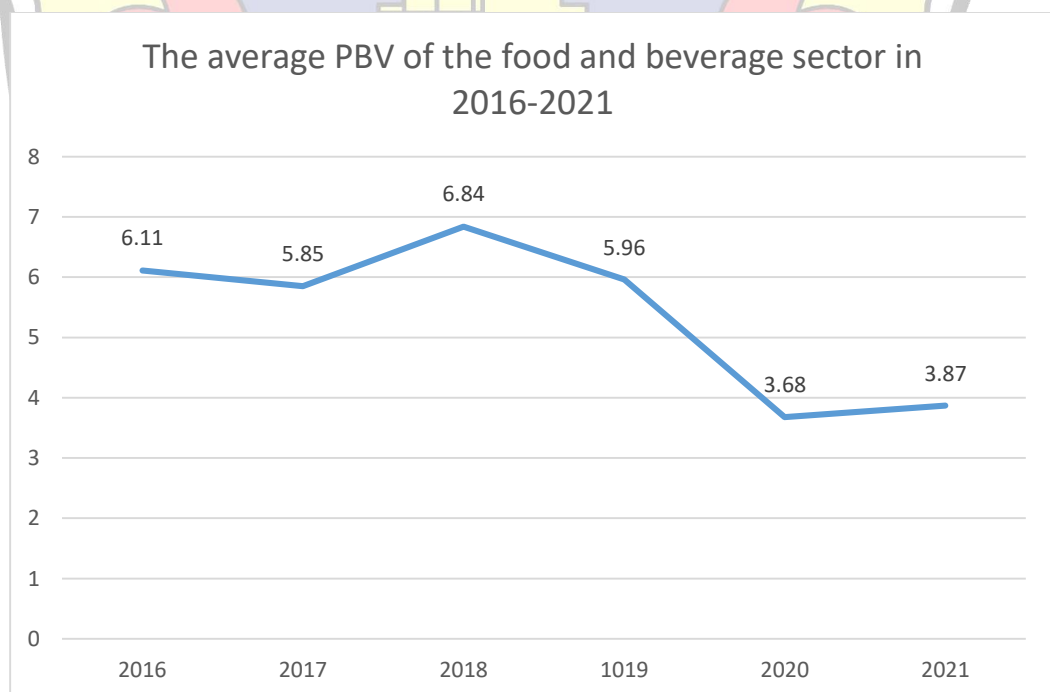
**Tabel 1. 1 Company value (PBV) in the food and beverage sub sector
2016-2021**

NO	KODE	2016	2017	2018	2019	2020	2021
1.	DLTA	0.95	3.21	3.43	4.49	3.45	2.96
2.	ICBP	5.41	5.11	5.37	4.87	2.22	1.85
3.	INDF	1.58	1.43	1.31	1.28	0.76	0.64
4.	MLBI	30.17	27.07	28.87	28.50	14.26	14.95
5.	MYOR	5.87	6.14	6.86	4.63	5.38	4.02
6.	ROTI	5.61	2.79	2.55	2.60	2.60	2.95
7.	SKLT	0.72	2.47	3.05	2.92	2.66	3.09
8.	ULTJ	3.78	3.55	3.27	3.43	3.87	3.53
	AVERAGE	6.11	5.85	6.84	5.96	3.68	3.87

Source: www.idx.id processed in May 2022

Based on table 1.1 above, it can be concluded that the value of the food and beverage sub-sector companies listed on the Indonesia Stock Exchange in

2016-2021 as proxied by PBV has increased and decreased. This can be shown in ICBP companies experiencing a decline for 4 years from 2018 to 2021. However, DLTA, INDF, MLBI, MYOR, ROTI, SKLT and ULTJ companies fluctuated from 2016 to 2021. From the table above it can be concluded that in from 2016 to 2021 there were 8 companies that became the object of research, there were 7 companies that experienced fluctuations from 2016 to 2020 and there was 1 company that experienced a decline from 2018-2021 in the food and beverage sub-sector. Seeing the fact that there is inconsistency regarding the value of the company, investors should pay more attention to the factors that affect the value of the company so that investors are not wrong in making decisions in investing.



Source: www.idx.id processed in May 2022

Figure 1. 1 Average PBV of the food and beverage sector in 2016-2020

From Figure 1.1 the average food and beverage company from 2016-2020 fluctuated. From 2016 to 2017, the average PBV decreased from 6.11 to 5.85. From 2017 to 2018 food and beverage companies experienced an increase of 0.99 from 5.85 to 6.84. For the years 2018 to 2019 there was a slight decrease, namely by 0.88 from 6.84 to 5.96. From 2019 to 2020, it decreased by 2.28 from 5.96 to 3.68. From 2020 to 2021, it increased by 0.19 from 3.68 to 3.87. From the average PBV value graph above, it can be concluded that companies in the food and beverage sub-sector in the 2016-2021 period experienced fluctuations. This will affect the decision of investors to invest in the company. With this decline, the owner of the company must be able to display a good signal about the value of his company. From the graph above, it can also be seen that the PBV value of the food and beverage industry in 2020 experienced a drastic decline. This decline occurred because in 2020 there was a corona pandemic (COVID-19). The market share during the pandemic was quite depressed, it can be seen from the average PBV value of the food and beverage industry in 2020 which experienced a decrease in PBV value of 2.28, which was initially in 2019 the average PBV was 5.96 to 3.68.

This study uses food and beverage companies as the object of research because manufacturing companies with the food and beverage sector have experienced developments from time to time. In addition, manufacturing companies in the food and beverage sector are in great demand by investors to invest their capital because this company operates to produce food and beverages which are primary needs for humans in carrying out their daily lives.

Based on the description of the background above, the researcher is interested in conducting research on how much influence liquidity and profitability have on firm value with dividend policy as an intervening variable in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2016-2021.

1.2. Research Scope

Based on the background stated by the author, within study this necessary to limit the problem so that the problems in the research do not spread. The following are the limitations of the problem used in this study:

1. This research takes 2 dependent variables, specifically liquidity and profitability. The independent variable is firm value and the intervening variable is dividend policy
2. The object of the research is the food and beverage sub-sector manufacturing companies listed on the 2016-2021 IDX.
3. This research was conducted for 3 months after the proposal was approved.

1.3. Problem Statement

Based on the research journals used as reference sources by the authors, there are several differences in the results of the research. The results of the study reveal that profitability and liquidity have an effect on firm value with dividend policy as an intervening variable, but in other journals, research results prove that profitability and liquidity have no effect on company value

with dividend policy as a mediating variable. This research also has a gap phenomenon of fluctuations that occur in company value (PBV) in food and beverage sub-sector companies in 2016-2021 which is the object of the study. In addition, in the gap phenomenon, there is a company value (PBV) which has decreased drastically in food and beverage sub-sector companies in 2020 due to the COVID-19 pandemic.

Based on the formulation of the problem, several research questions emerged as follows:

1. Does liquidity affect company value in food and beverage sub sector manufacturing companies listed on the Indonesian Stock Exchange in 2016-2021?
2. Does profitability affect company value in the food and beverage sub-sector manufacturing companies listed on the Indonesian Stock Exchange in 2016-2021?
3. Does liquidity affect dividend policy in the food and beverage sub-sector manufacturing companies listed on the Indonesian Stock Exchange in 2016-2021?
4. Does profitability affect dividend policy in the food and beverage sub-sector manufacturing companies listed on the Indonesian Stock Exchange in 2016-2021?
5. Does the dividend policy affect the value of companies in the food and beverage sub-sector manufacturing companies listed on the Indonesian Stock Exchange in 2016-2021?

6. Does the dividend policy mediate the effect of liquidity on firm value in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2016-2021?
7. Does the dividend policy mediate the effect of profitability on firm value in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2016-2021?

1.4. Research Objective

Based on the background and formulation of the problem above, this research aims to:

1. To test and analyze whether liquidity has an effect on firm value in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2016-2021.
2. To test and analyze whether profitability has an effect on firm value in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2016-2021.
3. To test and analyze whether liquidity has an effect on dividend policy in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2016-2021.
4. To test and analyze whether profitability has an effect on dividend policy in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2016-2021.

5. To test and analyze whether dividend policy has an effect on firm value in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2016-2021.
6. To test and analyze whether dividend policy can mediate the effect of liquidity on firm value in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2016-2021.
7. To test and analyze whether dividend policy can mediate the effect of profitability on company value in the food and beverage sub-sector manufacturing company listed in the Indonesian Stock Exchange in 2016-2021.

1.5. Research Benefits

The results of this study are expected to be useful and provide benefits to various parties including:

1. Theoretical Benefits

This research can add scientific insight which can later be used as one of the literature for further research.

2. Practical Benefits

- a. For companies

This research is expected to be able to assist the company in considering and evaluating the company's financial performance in the future.

b. For investors

This results can research could be used as investors expectations from consideration and reference for investors in choosing companies when making investments.

c. For the community

The results of this study are expected to be a material consideration for investors in choosing companies and making decisions related to their investment in the capital market when investing in food and beverage sub-sector companies.

