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The Effect of Profitability, Liquidity, Activity, Dividend Policy, and Firm Size on Firm Value

(Empirical Study of Mining Companies Listed Indonesia Stock Exchange 2016 - 2020 Period)

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Abstract: The company has long-term goal is to maximize shareholder wealth than can be reached by maximizing the firm's value. This study aims to examine the effect of profitability, liquidity, activity, dividend policy and firm size on firm value. This research was conducted using secondary data collected from the Indonesia Stock Exchange (IDX) and the websites of each company. The sample selection method uses purposive sampling in mining companies listed on the Indonesia Stock Exchange (IDX) in 2016-2020. Data analysis techniques used in this study are multiple linear regression analysis. The results showed that profitability, liquidity, activity, and firm size has an affect on firm value. Whereas dividend policy did not effect firm value.

Keywords: *profitability, liquidity, activity, dividend policy and firm size, firm value*

I. INTRODUCTION

Economic development has an important dominant role for companies and cannot be separated from the development of companies in every country. These developments also have the effect of competition between companies in various countries.

According to Manggau (2017) the Indonesia Stock Exchange (IDX) is a place for transactions in which there are various types of companies in Indonesia. Companies listed on the Indonesia Stock Exchange have several factors, one of which is the mining sector. The mining sector is a sector that can make a major contribution to Indonesia. The activities of mining companies are a series of activities in an effort to search, develop (control), process, utilize and sell minerals such as: minerals, coal, geothermal, oil and gas.

The value of the company is one of the factors that can show the development of each company. Lumoly (2018) company value is said to be good if the performance of a company is also good. The better the value of the company can increase the prosperity of the owner of the company. Companies that have good job prospects can make the stock price higher.

Profitability can affect the value of the company, because the size of the profitability generated in a company can affect the value of the company. Profitability is a ratio that measures the company's ability to generate profits over a certain period. According to Hayat, et al (2018) profitability is a ratio that measures the company's ability to generate profits during a certain period. One measure of good performance in a company is often seen from high profits.

Liquidity is a ratio that can measure the company's ability to meet its short-term obligations. Its short-term obligations must be able to meet its obligations on time to maintain its liquid state. Lubis and Sasongko,

(2017) liquidity is a measure of the company's ability to pay bills on time when the payment date has arrived.

Activity is a ratio that can be used to measure the effectiveness of the entity in using various assets. The effectiveness of the entity's asset management if the higher the ratio can make the management of the entity's assets more effective. Aulia (2021) activity ratio is a company's financial ratio that can be described through the movement of assets from cash to inventory.

Dividend policy is one of the variables that can affect firm value. The finance function is basically related to dividend policy. Dividend policy is used as a company's financial decision whether the profits earned will be distributed to shareholders or retained as retained earnings. Between the company's management and shareholders there is often a conflict on dividend policy. According to Astika (2019), dividend policy is a policy which is a decision taken by a company about how the company distributes the level of profit earned to shareholders as retained dividends in the form of retained earnings which aims to finance the company's investment in the future.

The size of the company is also often one of the variables that are considered to determine the value of the company. The size of the company is often considered to affect the value of the company because the larger the size of the company, the easier it is for the company to obtain funds from several sources that can be used to achieve the company's goals (Indriyani, 2017).

In this study, the researchers tried to update the research from Oktaviarni, Murni, and Suprayitno (2019) in analyzing several factors that can affect firm value . These factors are profitability, liquidity, activity, dividend policy and firm size. The difference between this research and previous research is that one variable is replaced, namely the activity ratio.

Contributions in this study are intended for companies, as consideration for companies in applying these research variables to help increase company value and as consideration for issuers to evaluate, improve, and improve management performance in the future, for investors and potential investors. This research is expected to be taken into consideration in assessing company performance so that it can assist decision making when making investments and for academics, this research is expected to add references, information, and theory development regarding profitability, liquidity, activity, dividend policy, and company size. applied to a company and its effect on the value of the company. This research is also expected to be used as a reference or material for discourse in the financial sector so that it can be useful for further research on firm value.

II. HEADINGS

Study Theory and Formulation of Hypotheses

Signaling theory

According to Indriyani (2017) signal theory is a management action taken and can provide guidance for investors to explain how management manages the company's prospects. Signal theory explains how companies should provide signals to users of financial statements. Signal theory is like the company information that will be provided to investors. Prospects of a profitable company will avoid selling shares and try to manage every capital in a good way.

Agency Theory

According to Indriyani (2017) agency theory or agency theory is a theory that explains the ownership structure of a company that is managed directly by the manager and not the owner who manages it. As good and perfect as a professional manager, the manager is not an agent of the company owner, so the manager may not necessarily act in the interests of the owner.

The value of the company

Firm value is one of the performance indicators in the company to measure the quality of performance in the company. Company value can also describe a situation in the company. Since the company was founded, the value of the company every day has become the most important achievement for the company, good corporate values can increase the value of public trust in the company through a process of activities carried out by the company (Mayogi and Fidiana, 2016).

Profitability

Profitability is a company's ability to run its operations to earn a profit. According to Hayat, et al (2018) in a period of profitability can be an activity whose capabilities can be achieved by the company. profitability aims to assess the company's ability to earn a profit, which is related to sales, assets, and own capital.

Liquidity

According to Sjahrial (2013) the liquidity ratio is a picture of a company's ability to pay short-term *current liabilities* (CR) at maturity and use current assets, so it is called the working capital ratio. If this ratio is too high, it is perceived that the company is not able to manage the company's current assets properly and if it is too low, the company is in a liquid state (Astutik, 2017).

Activity

The activity ratio is a ratio which is an operational activity carried out by the company on a daily basis. According to Sitanggang (2014) the activity ratio is the activity of a company with the aim of carrying out operating activities on all assets in achieving a company goal where all assets are measured through turnover.

Dividend Policy

Dividend is the distribution of net profit from the company which is distributed to shareholders upon the approval of the General Meeting of Shareholders (GMS). Management must take a good decision step in obtaining company profits in one period which can then be distributed all or part of it for dividends and partly not distributed in the form of retained earnings.

Company Size

The size of the company is also often one of the variables that are considered to determine the value of the company. The size of the company is often considered to affect the value of the company because the larger the size of the company, the easier it is for the company to obtain funds from several sources that can be used to achieve the company's goals (Indriyani, 2017).

Research Framework

The following is the framework used in this research

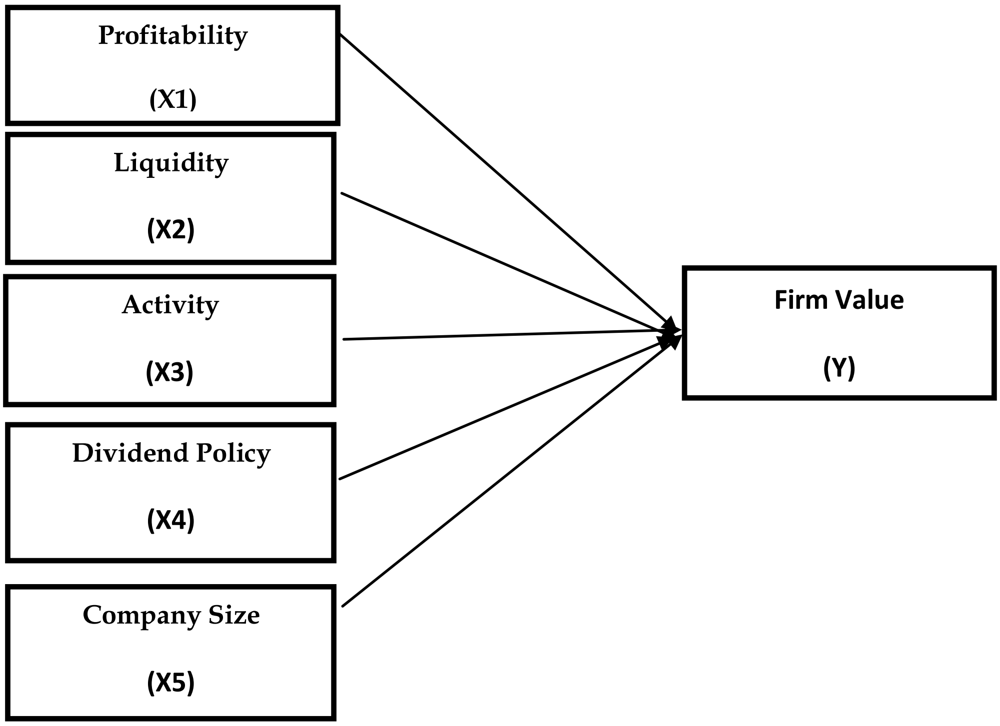

Figure 2.1 Research Framework

III. INDENTATIONS AND EQUATIONS

Research methods

Population, Sample, and Research Data

The population used in this study are all mining companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period. The sample selection in this study used purposive sampling method. This study uses quantitative secondary data in the form of financial statements listed on the Indonesia Stock Exchange (IDX). The financial reports were obtained from the website www.idx.co.id. The following is a selection of companies that are used as samples:

Table 3.1

Determination of the number of samples

No	Sample criteria	Does not meet the criteria	Meet the criteria	Accumulation
1	Mining companies listed on the IDX in 2016-2020	0	48	48
2	Companies that have complete data and publish their financial statements during the research period	0	48	48
3	companies that did not suffer losses during the study period. If you experience a loss in the research process, you will be removed from the sample.	(33)	15	15
Number of companies				15
The number of research samples 15 x 5 years				75
Outliers				(15)
Number of samples that can be processed				60

Source: Secondary Data Processed, 2022

Operational Definition and Variable Measurement

The value of the company

Firm value is one of the performance indicators in the company to measure the quality of performance in the company. Good corporate values can increase the value of public trust in the company through a process of activities carried out (Mayogi and Fidiana, 2016).

Firm value can be proxied using *price book value* (PBV) which can be calculated by the formula:

$$\text{PBV} = \frac{Harga\ Saham}{Nilai\ Buku\ Perlembar\ \ Saham}$$

Information

$$\text{Book Value Per Share} = \frac{Total\ Ekuitas}{Jumla\ h\ Saham\ Beredar}$$

Source: (Subramanyam, 2014)

Profitability

Profitability can affect the value of the company. Profitability is one factor that has a good value for measuring the performance of a company and has a very important value for the company (El Sintarini, 2018).

The ratio used in this study is the *Net Profit Margin* (NPM) which compares net profit with sales which can be calculated by the formula:

$$\text{NPM} = \frac{Laba\ Setela\ h\ Pajak}{Penjualan}$$

Liquidity

According to Oktaviarni, pure, and suprayitno (2019), the liquidity ratio is a ratio used to measure the ability of a company to meet its short-term obligations within a one year period by using current assets and can influence investors' perceptions in making decisions to invest in that place. The liquidity ratio used in this study uses the *Current Ratio* (CR) with the formula:

$$\text{CR}=\frac{Aset\ \ Lancar}{Liabilitas\ \ Jangka\ \ Pendek}$$

Activity

According to Kurniawati (2021) the activity ratio is a ratio that can be used to measure a level of efficiency in the use of company resources such as sales, inventory, debt collectors, and others.

The activity ratio used in this study uses the *Total Asset Turnover formula* (total asset turnover) with the formula:

$$\text{TATTOO}=\frac{Penjualan}{Jumla\ h\ Aset}$$

Dividend Policy

According to Oktaviarni, Pure, and Suprayitno (2019), dividend policy is a picture of the company's financial condition from an investor's point of view. Profits generated from a company can be divided as dividends or held for reinvestment.

In this study, dividend policy uses the Dividend Payout Ratio formula

$$\text{DPR}=\frac{Dividen\ \ Per\ \ Share}{Earning\ \ Per\ \ Share}$$

Company Size

According to Oktaviarni, Pure, and Suprayitno (2019), the size of the company is considered to affect the value of the company because the larger the size of the company, the easier it is for companies to obtain financial assistance that can benefit the company in achieving its goals and can be profitable in the future.

The size of the company in this study is calculated by the formula:

$$Size = \text{LN (Total Assets)}$$

Data Analysis Model

The test model used to test the hypothesis in this study is the method of multiple linear regression analysis using a significance value of 5%. The regression model of this research is:

Y = α + ($B_1.X_1.$) + ($B_2.X_2.$) + ($B_3.X_3.$) + ($B_4.X_4.$) + ($B_5.X_5.$) + e

Information:

Y = Firm Value

∝ = Constant

NPM = Profitability Ratio

CR = Liquidity Ratio

TATO = Activity Ratio

DPR = Dividend Policy

Size = Company Size

e = Random error

1, 2, 3, 4, 5 = Regression Coefficient

IV. FIGURES AND TABLES

Results of Analysis and Discussion

Multiple regression analysis requires a classical assumption test before testing the regression equation. The results of the classical assumption test in this study are as follows.

Table 4.1

Normality test

	Unstandardized Residual	Conclusion
asymp. Sig (2-tailed)	0.200	Normal

Source: Secondary Data Processed, 2022

Normality testing in this study used the Kolmogorov Smirnov test. Based on the test results, it shows that the significance value in this regression model is 0.200. This means, the significance value is greater than 0.05 (0.200 > 0.05). Based on this statement, it shows that all data used in this study are normally distributed.

Table 4.2

Multicollinearity Test

Variable	Collinearity Statistics		Information
	Tolerance	VIF	
SQRT_NPM	0.641	1,561	Multicollinearity does not occur
SQRT_CR	0.628	1,592	Multicollinearity does not occur
SQRT_TATO	0.305	3.278	Multicollinearity does not occur
SQRT_DPR	0.472	2.117	Multicollinearity does not occur
SQRT_SIZE	0.491	2,037	Multicollinearity does not occur

Source: Secondary Data Processed, 2022

Multicollinearity testing is done by looking at the Tolerance Value (TV) and Variance Inflation Factor (VIF). If the TV value> 0.10 and VIF. it can be seen that all independent variables have a VIF value < 10 and a *tolerance value* > 0.01 . Thus, this regression model is good and there is no multicollinearity and meets the data normality requirements.

Table 4.3

Heteroscedasticity Test

Variable	**Sig**	**Information**
SQRT_NPM	0.201	Heteroscedasticity does not occur
SQRT_CR	0.984	Heteroscedasticity does not occur
SQRT_TATO	0.162	Heteroscedasticity does not occur
SQRT_DPR	0.188	Heteroscedasticity does not occur
SQRT_SIZE	0.060	Heteroscedasticity does not occur

Source: Secondary Data Processed, 2022

Heteroscedasticity testing aims to test whether the regression model has an inequality of variance from the residuals in one observation to another. Heteroscedasticity test in this study is to use the glejser test. The results of the heteroscedasticity test showed that all independent variables had a significance value above 0.05 or 5%. This shows that the regression model is free from the inequality of variance and residuals from one observation to another, so it can be concluded that the regression model is free from heteroscedasticity.

Table 4.4

Autocorrelation Test

Run Test	
	Unstandardized Residual
Test Value	0.02062
asymp. Sig (2-tailed)	0.118

Source: Secondary Data Processed, 2022

Autocorrelation testing using the Run test test with a significance value greater than 0.05, which is 0.118, it can be concluded that there is no autocorrelation in the regression model.

Table 4.5

Multiple Linear Regression Analysis Test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-7,741	2.415		- 3.206	0.002		
SQRT_NPM	0.188	0.03	0.617	6345	0.000	0.641	1,561
SQRT_CR	-0.164	0.073	-0.222	-2.26	0.028	0.628	1,592
SQRT_TATO	0.077	0.022	0.505	3.581	0.001	0.305	3.278
SQRT_DPR	-0.003	0.011	-0.026	-0.23	0.819	0.472	2.117
SQRT_SIZE	1,449	0.42	0.383	3.448	0.001	0.491	2,037

Source: Secondary Data Processed, 2022

Based on the results of the multiple linear regression analysis, it is known that the multiple linear regression equations are:

NP = -7,741 + 0.188 NPM – 0.164 CR + O.077 TATO – 0.003 DPR + 1,449 SIZE + e

The regression equation has the following meaning:

The constant value (α) is **-7.741** which means that if the profitability, liquidity, activity, dividend policy, and firm size have a value of 0 (zero), then the firm value level remains at -7.741.

The value of the regression coefficient on the profitability variable is 0.188 with a positive sign (+). This shows that if profitability increases by 1 (unit) then the value of the company will increase by 0.188.

The value of the regression coefficient on the liquidity variable is -0.164 with a negative sign (-). This shows that if liquidity decreases by 1 (unit) then the value of the company will decrease by -0.164.

The value of the regression coefficient on the activity variable is 0.077 with a positive sign (+). This shows that if the activity increases by 1 (unit) then the value of the company will increase by 0.077.

The value of the regression coefficient on the dividend policy variable is -0.003 with a negative sign (-). This shows that if liquidity decreases by 1 (unit) then the value of the company will decrease by -0.003.

The value of the regression coefficient on the firm size variable is 1.449 with a positive sign (+). This shows that if the activity increases by 1 (unit) then the value of the company will increase by 1.449

Table 4.6

F Uji test

Model	Fcount	Sig
Regression	22,222	0.000

Source: Secondary Data Processed, 2022

Based on the results of the f test in the table above, it is obtained that Fcount of 22,222 is greater than Ftable of 2,368 with a significance of 0.000 or less than 2,368. so it can be concluded that simultaneously (simultaneous) the variables of profitability, liquidity, activity, dividend policy, and firm size have an effect on firm value. thus the regression model used in this study shows *goodness of fit.*

Table 4.7

T Uji test

Variable	T Count	Sig	T Table	Information
(Constant)	-3.206	0.002		
SQRT_NPM	6345	0.000	2,000	H_1 Received
SQRT_CR	-2,260	0.028	2,000	H_2 Received
SQRT_TATO	3.851	0.001	2,000	H_3 Received
SQRT_DPR	-0.230	0.819	2,000	H_4Rejected
SQRT_SIZE	3.448	0.001	2,000	H_5 Received

Source: Secondary Data Processed, 2022

Based on the results of the t test, profitability, liquidity, activity, and firm size have a significance value smaller than the expected significance level (0.05), so these four variables affect the firm value. While the dividend policy has a significance value greater than the expected significance level (0.05), the dividend policy has no effect on firm value.

Table 4.8

Coefficient of Determination Test (R2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.82	0.673	0.643	0.22892

Source: Secondary Data Processed, 2022

Based on table 4.10 the test results show that the coefficient of determination (R^2) is 0.643 or 64.3%. This means that the variable firm value is influenced by profitability, liquidity, activity, dividend policy, and firm size by 64.3% and the remaining 35.7% is influenced by other variables.

Discussion of Analysis Results

1. The effect of profitability on firm value
   The calculation of the results of the research on the profitability variable shows the value of $t_{hitun\ g}$6,345 with a significance value of 0.000 so that t_{hitung} >t_{tabel} (6,345 > 2,000) with sig < 0.05 (0.000 < 0.05) it can be concluded that the profitability variable has an effect on firm value. These results indicate that the first hypothesis (H_1)states "There is an effect of profitability on firm value in mining companies listed on the Indonesia Stock Exchange in 2016-2020." proven true.

   Profitability has an effect on firm value. Profitability is a company's ability to run its operations to earn a profit. If the company's profitability or profits increase, it will increase the value of a company, and vice versa if the company's profitability or profits decrease, the company's value will also decrease (Setyowati & Nursiam 2014). The higher the level of profitability of a company can increase the value of the company in the eyes of investors. This result is in line with the signaling theory which states that the higher the profitability obtained by the company, the better the profits for the company, and a positive signal by the market because it can increase the value of the company in the eyes of investors.

The results of this study are consistent with the research of Aswari & Nursiam (2020), Tiana & Triyonowati (2020), Widyasari & Nursiam (2020) which state that profitability has an effect on firm value. While this research is inconsistent with Oktarima's research (2017) which concludes that profitability has no effect on firm value.

2. Effect of liquidity on firm value

The calculation of the results of the research on the liquidity variable shows the value of t_{hitung} 2.260 with a significance value of 0.028 so that $t_{hitung} > t_{tabel}$ (2,260 > 2,000) with sig < 0.05 (0.028 < 0.05) it can be concluded that the liquidity variable has an effect on firm value. These results indicate that the second hypothesis (H_2)which states "There is an influence of liquidity on the value of the company in mining companies listed on the Indonesia Stock Exchange in 2016-2020." proven true.

Liquidity affects the value of the company. Liquidity is a ratio used to describe the company's ability to meet obligations using its assets. The more funds available to the company can be sufficient to pay dividends, finance operations and investments, the higher the investor's perception of the company's performance. This is in line with the signaling theory which states that the demand for shares from investors for a company will cause an increase in the market value of the stock and can describe the high value of the company concerned.

The results of this study are in line with research conducted by Oktaviarni, Murni, Suprayitno (2019), Putra & Lestari (2016) which states that liquidity affects firm value, but this research is not in line with Indrayani, Endiana, & Pramesti (2021) which states that liquidity has no effect on firm value.

3. Effect of activity on firm value

The calculation of the results of the activity variable research shows the value of t_{hitung} 3.851 with a significance value of 0.001 so that $t_{hitung} > t_{tabel}$ (3,851 > 2,000) with sig < 0.05 (0.001 < 0.05) it can be concluded that the activity variable has an effect on firm value. These results indicate that the third hypothesis (H_3)states "There is an effect of activity on company value in mining companies listed on the Indonesia Stock Exchange in 2016-2020." proven true.

Activities affect the value of the company. The activity ratio is a comparison between sales and total assets of a company where this ratio describes the speed of total asset turnover in a certain period. The activity ratio is used to assess the company's ability to carry out daily activities (Kurniawati, 2021). This is in line with the assumptions of the signaling theory which states that activities in the company can run well shown in fast asset turnover and can support net sales activities so as to increase profits, and provide signals to the market that make investors interested in buying the company's shares. can increase the value of the company.

The results of this study are in line with Kurniawati (2021), Aulia (2021) who stated that activity had an effect on firm value, but Agustina's research (2017), Tiana & Triyonowati (2020) stated that activity had no effect on firm value.

4. Effect of dividend policy on firm value

   The calculation of the results of the research on the dividend policy variable shows the value of t_{hitung} -0.230 with a significance value of 0.819 so t_{hitung} <t_{tabel} (-0.230 < 2,000) with sig > 0.05 (0.819 < 0.05), it can be concluded that the profitability variable has no effect on firm value. These results indicate that the fourth hypothesis (H_4)states "There is an effect of dividend policy on firm value in mining companies listed on the Indonesia Stock Exchange in 2016-2020." not proven true.

   Dividend policy has no effect on firm value, because every rupiah of dividend payment will reduce retained earnings which are used to purchase new assets of the company. The company will prefer to buy new assets for the common good of the company rather than paying dividends to shareholders which are only details and do not affect the welfare of shareholders. This proves that the distribution of dividends can cause a reduction in profits that are reprocessed as company operations. Companies that distribute dividends that are too low can result in strengthening internal funds in seeking performance for the company (Astika, Suryandari, & Putra, 2019).

   The results of this study are in line with Astika, Suryandari, & Putra (2019), Indrayani, Endiana, & Pramesti (2021) which state that dividend policy has no effect on firm value, but is inconsistent with research by Widyasari & Nursiam (2020), Setyowati & Nursiam (2014) which states that dividend policy has an effect on firm value.

5. The effect of firm size on firm value
   The calculation of the results of the research on the firm size variable shows a value of t_{hitung} 3,448 with a significance value of 0.001 so that t_{hitung} >t_{tabel} (3,448 > 2,000) with sig < 0.05 (0.001 < 0.05) it can be concluded that the firm size variable has an effect on firm value. These results indicate that the fifth hypothesis (H_5)states "There is an effect of company size on company value in mining companies listed on the Indonesia Stock Exchange in 2016-2020." proven true.

   Firm size has an effect on firm value. The size of the company can increase the value of the company seen from the assets owned by the company, with large assets that can affect the company's production activities and can generate good profits in the future. The assets owned by the company can benefit the company if they are managed properly. Basically investors want to invest their shares in companies that have good prospects, investors can assess the company through the number of assets owned by the company so that it can affect the value of the company (Oktaviarni, Murni, & Suprayitno, 2019). This is in line with the assumption of signaling theory which states that the greater the assets owned by the company is considered a positive signal in the market and the result can increase the value of the company.

   The results of this study are in line with Astika, Suryandari, & Putra (2019), Oktaviarni, Murni, & Suprayitno (2019) which state that firm size has an effect on firm value. While this research is inconsistent with the research of Widyasari & Nursiam (2020), Aswari & Nursiam (2020) which concludes that firm size has no effect on firm value.

V. CONCLUSION

1. Based on the results of the regression in the table above, it is found that the Tcount value of the profitability variable is 6,345 which is greater than Ttable 1.6706 (6,345 > 2,000) with a significance of 0.000 less than 0.05 (0.000 < 0.05). Thus it can be seen that the profitability variable has a significant effect on firm value. **Then H_1accepted.**
2. Based on the regression results in the table above, it is found that the value of Tcount for the liquidity variable is -2,260 which is greater than Ttable of 2,000 (-2,260 < -2,000) with a significance

of 0.028 less than 0.05 (0.028 < 0.05). Thus it can be seen that the liquidity variable has a significant effect on firm value. **Then H_2accepted.**

3. Based on the results of the regression in the table above, it is found that the value of Tcount for the activity variable is 3,581 which is greater than Ttable of 2,000 (3.581 > 2,000) with a significance of 0.000 less than 0.05 (0.001 < 0.05). Thus it can be seen that the activity variable has a significant effect on firm value. **Then H_3accepted.**
4. Based on the regression results in the table above, it is found that the value of Tcount for the dividend policy variable is -0.230 smaller than Ttable 2,000 (-0.230 < 2,000) with a significance of 0.819 greater than 0.05 (0.819 > 0.05). Thus, it can be seen that the dividend policy variable has no significant effect on firm value. **So H_4rejected.**
5. Based on the regression results in the table above, it is found that the value of Tcount for the firm size variable is 3,448 which is greater than Ttable of 2,000 (3.448 > 1.6706) with a significance of 0.001 less than 0.05 (0.001 < 0.05). Thus, it can be seen that the firm size variable has a significant effect on firm value. **Then H_5accepted.**

Limitations and Suggestions

1. The types of companies in this study are limited to mining sector companies listed on the Indonesia Stock Exchange only so that the sample selection is small, and the research period is also still minimal, namely 5 years and in the year of research many financial reports suffered losses so that the sample obtained limited.
2. This study only uses 5 independent variables, namely Profitability, Liquidity, Activity, Dividend Policy, and Company Size which affect firm value. Further researchers are expected to add other variables that affect firm value, such as solvency, debt policy, leverage.

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